

# FINANCIAL TIMES

World Business Newspaper <http://www.ft.com>

TUESDAY FEBRUARY 2 1999



**Soviet reunification**  
A more popular topic  
in Belarus than Ukraine  
Page 3



**Only connect**  
Dawning of  
the network age  
Peter Martin, Page 18



**Iveco in China**  
The importance of  
espresso in Nanjing  
Management, Page 14

**Nigeria**  
Unrest in the delta  
over oil spills  
Page 6

## WORLD NEWS

### Kurdish leader vanishes after Dutch rejection

Abdullah Ocalan, the fugitive Kurdish guerrilla leader wanted by Turkey, tried to fly to the Netherlands yesterday, but was denied permission to land and then apparently vanished. Turkey's foreign ministry said: "We expect all European countries to immediately determine the place where this individual is hiding to escape from justice, and to hand him over". Europe, Page 2

Russian plan will miss IMF targets  
Prime minister Yevgeny Primakov finished work on Russia's latest economic plan, which does not meet objectives set out by the International Monetary Fund for release of new financial aid. Europe, Page 3

Green light for Strasbourg link  
The French government has approved a new high-speed rail link between Paris and Strasbourg on the eastern border with Germany. Europe, Page 3

Islamic leader starts hunger strike  
Sheikh Ahmed Yassin, leader of the Hamas militant Islamic movement, said he had begun a hunger strike to protest at the detention of political prisoners in Palestinian Authority jails.

Iranians mark revolution  
Crowds gathered at the shrine of Iran's late spiritual leader Ayatollah Ruhollah Khomeini to mark 20 years since the Islamic revolution.

Saddam offers cash bounty  
Iraqi air defence troops who shoot down hostile aircraft are in line for a \$14,000 bounty under orders from President Saddam Hussein. International, Page 6

Explosion rocks US Ford plant  
An explosion and fire rocked a generating station for Ford Motor's big Ford Rouge plant in Michigan, injuring more than a dozen people, some seriously.

Nigerian aid to end  
Western governments and lenders are preparing a conditional \$1.5bn for the civilian government due to take office in Nigeria in May. It aims to avert a potentially destabilising economic crisis. International, Page 6

Lawyers advise on conflicts  
Lawyers are advising UK financial organisations to review how they build and maintain "Chinese walls" following a landmark judgment on managing conflicts of interest. UK, Page 10

Trial sentence motions fail  
The Thai government defeated motions brought against three senior ministers but remained under pressure to deliver quickly on promises of economic recovery. Asia, Page 4

US and India closer to deal  
India and the US are moving towards an agreement under which Delhi would sign the Comprehensive Test Ban Treaty provided economic sanctions are lifted first. Asia, Page 4

Parents blessed over antibiotics  
Parents who demand antibiotics for their children even when doctors think the drugs unnecessary are a large factor in the growing overuse of such medicines, say Boston University School of Medicine researchers.

## BUSINESS NEWS

### European economies weaken as US stages recovery

European manufacturing continues to shrink, in contrast to the US where manufacturers are staging a recovery at home and abroad, surveys show. The figures also show that deflation within Europe may soon become apparent. Page 20 and Lex

Neopost, Europe's largest maker of mailroom equipment, is to list on the Paris stock exchange in an initial public offering that will value the company at about €600m (\$684m). European companies, Page 24

The Real's rapid slide against the dollar was halted by optimism that the Brazilian government would agree a revised emergency financing deal with the International Monetary Fund. American news, Page 8; Editorial comment, Page 18

National Grid, UK electricity transmission group, announced the agreed purchase of Eastern Utilities Associates in the US for \$634m. Companies and finance, Page 21

Excel, Argentine private equity fund, and French retailer Promodes are to form Argentina's biggest supermarket chain with the purchase of the privately owned Casa Tia chain for \$630m. Latin American companies, Page 22

Banco Bilbao Vizcaya of Spain reported record annual profits and said it was in the market for a merger. Companies and finance, Page 21

Stanes, German freight haulage company, announced plans to create Europe's largest transport and logistics group by launching a \$K3.5bn (\$428m) bid for Swedish transport company BTL. European companies, Page 24

AT&T announced a joint venture with Deutsche Telekom to create a new company that dominates the US cable television business, that will enable it to reach 28m American homes. Companies and finance, Page 21

Pohang Iron & Steel chairman Yoo Sang-woo criticised his predecessor at the South Korean steelmaker for making poor investments, which, Mr Yoo said, could "pose obstacles for a smooth privatisation" of the group. Asia-Pacific companies, Page 28

Charles Schwab, largest online stockbroker, lifted margin requirements for 23 heavily traded internet stocks, but reported that trading in some of the stocks continued to increase from already hectic levels. Companies and finance, Page 21

Telecentro, holding company of Grupo Televisa, Mexico's largest broadcaster, said it had agreed with creditor banks on the restructuring of \$1.27bn of debt. Latin American companies, Page 22

**Euro Prices**  
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 29

# Société Générale in Paribas deal

By Samer Iskander in Paris

Agreed all-share takeover bid valued at \$17bn

Société Générale, France's largest listed bank, has launched an agreed all-share takeover bid for Paribas, the fifth largest, which values Paribas at €16bn (\$17bn). The merged bank, to be called SG Paribas, will be the world's fourth largest bank in terms of shareholders' equity and the third largest in Europe, with a market value of more than €20bn.

The takeover is expected to set off further bids in the overcrowded French banking sector. Leaders of the new SG Paribas indicated they intended to be involved in that process.

Mr André Lévy Lang, Paribas chairman and future chairman and chief executive of the merged group, said SG Paribas would be interested in acquiring a stake in Crédit Lyonnais, which is due to be privatised before the end of June. SocGen said it would drop

its legal challenge to state aid received by Crédit Lyonnais. The takeover was immediately welcomed by the French government, which is actively promoting consolidation as a way of improving the international competitiveness of the country's banking sector.

The banks said their decision was partly motivated by "rapid technological innovations and increasing mergers in the sector".

"A few days after the birth of the euro, SG Paribas becomes a leading player in a number of businesses," said Mr Lévy Lang.

Bank shares had mixed reactions on the Paris bourse yesterday, as market participants weighed the implications of the deal. Those of Banque Nationale de Paris rose 10 per cent immediately after the announcement on

speculation it was likely to be the next French bank involved in a bid. BNP had approached Paribas unsuccessfully on at least one recent occasion. Paribas shares closed at €78, down 2.4 per cent.

Analysts said the SG Paribas merger stopped the pressure on BNP to forge an alliance with another bank. With FF4.920bn (€750.6bn) in total assets, the future SG Paribas is set to overtake Switzerland's Credit Suisse group to be Europe's third largest bank by this measure. It will be just behind Germany's Deutsche Bank, which is taking over Bankers Trust of the US, and UBS of Switzerland.

SG Paribas will have Europe's largest portfolio of industrial investments, valued at €12bn. With more than €200bn of assets under management, the group said it would be one of Europe's

10 largest institutional fund managers, and the world's sixth custodian with more than €500bn of securities held in custody for clients.

The merger will take the form of a share exchange, with SocGen offering five of its shares for eight Paribas shares. This values Paribas at €15bn, a 17 per cent premium over its average price last month.

Mr Lévy Lang will head the group until his retirement in November 2002 at age 66, when Daniel Bouton, 48, the current SocGen chairman, will take over. Jacques Chirac, the French president, welcomed the deal, saying French banks needed to "get together and become stronger to face international competition".

The banks said they aimed to achieve return on equity of 15 per cent compared with less than the

Europe's top 10 banks

	Assets (\$bn)	Market Cap (\$bn)
US*	636	60.88
Deutsche Bank*	536	36.20
SG Paribas*	536	32.77
Credit Suisse	428	42.51
Hypo Alpe Adria	416	22.11
HSBC	400	70.28
ABN Amro	370	36.01
Dresdner	348	19.88
Barclays	333	33.78
BNP	310	17.48

Source: Bloomberg, Reuters, FT

11.6 per cent that was the average of the two banks in 1998. They also set a target for growth in annual net earnings per share in excess of 15 per cent.

Unitary pairing, Page 24; Better late than never, Page 18; Observer, Page 18; Lex, Page 24; BSV profits, Page 21

## Euro beats dollar in bond market trade in first month

Analysts question whether new currency can sustain lead

By Edward Luce, Capital Markets Editor

The euro has pushed the dollar into second place in international bond markets in its first month of trading.

Since its launch, the euro has been the currency of choice for half of all new international bond issues, with a value equivalent of \$68.3bn. The dollar took 40 per cent (\$57.7bn) of the total.

Analysts have warned that the euro's share of international borrowing would probably fall back, but the challenge to the dollar's supremacy would not fade away.

"If you judge by the bond markets, we are now in a dual currency world," said Simon Meadows, global head of debt syndication at CSFB.

The next most popular currency was sterling, with a share of less than five per cent. The yen barely registered, according to Capital Data BondWare.

The euro was also more popular than its "legacy" currencies used to be. The proportion of bonds issued in all 11 euro "legacy" currencies ran at between 30 and 35 per cent in recent years.

The euro has capitalised on

enthusiasm of European pension and insurance funds for new types of bond, including offerings from European companies. Dozens of assets managers, including Credit Suisse Asset Management and Rothschild Asset Management, have launched dedicated funds for euro-denominated corporate bonds.

A number of European companies, such as Olivetti, the Italian telecoms firm; Enagie, the Austrian utility; Carrefour, the French supermarket chain; Abbey National, the British bank; and Benetton, the Italian fashion company, have either issued bonds in euros in the last three weeks or plan to do so.

"If you look at who has borrowed in euros, it goes right across the spectrum from banks and companies to governments," said Roger Bates, head of the Deutsche Bank's Euro project team in London.

However, bankers say that the euro's share of the international debt markets is likely to drop slightly to take account of the fact that many borrowers wanted to make a splash in the currency's first month of existence.

"A lot of borrowers wanted to

be the first to establish a new benchmark and attract publicity," said David Munves, credit market strategist at Lehman Brothers.

"However, the euro has achieved parity with the US dollar in the bond markets." Bankers say that the euro's flying start has been aided by the fact that long-term interest rates in the euro-zone are lower than those in the dollar market.

This makes it cheaper for companies and banks to price fixed-rate issues against German government bonds, where the 10-year yield is 3.89 per cent, rather than against US Treasury bonds, where the yield on the 10-year benchmark is 4.7 per cent.

The euro's popularity has been aided by the recent weakness of the US dollar against the Japanese yen owing to the widening US current account deficit and the rise in Japanese bond yields. In addition many Asian and especially Japanese investors have been selling dollar holdings to free up funds for purchases of the euro.

Investors embrace euro, Page 21  
Bonds, Page 30

## Kosovo plan set to remove Serb powers

By Guy Diamond in Belgrade

The draft peace plan for Kosovo effectively removes the Serbian government's authority over the province, according to copies circulating in Belgrade.

The plan gives sweeping powers to the head of the new international monitoring mission, including the right to remove and appoint officials in the administration and judiciary.

The monitoring mission, run by the Organisation for Security and Co-operation in Europe (OSCE), will also supervise elections in Kosovo within nine months and set up its own broadcasting network.

The six-nation Contact Group is expected to present the peace plan to the warring parties at a meeting in France later this week. The tough demands reflect the international community's frustration with the year-old conflict and lack of progress after months of shuttle diplomacy.

Javier Solana, Nato secretary general, warned yesterday that this was "a last opportunity to reach peace in Kosovo". He reiterated he had authorised to order air strikes if no agreement was reached in talks, intended to start on February 6 and continue for no more than two weeks.

The head of the monitoring mission is William Walker, a senior US envoy declared persona non grata by Belgrade last

month. The Serbian authorities later suspended the order.

Both France and Britain have said they are prepared to deploy troops to underpin any peace deal and the US has indicated it could consult Congress about a possible role for US troops.

Neither the separatist Kosovo Liberation Army (KLA) nor Belgrade have yet responded formally to the summons to peace talks but diplomats expressed confidence they would be dragged to the negotiating table.

The status of Kosovo is not defined under the plan, but for an interim period of three years the territory, with its overwhelmingly ethnic Albanian majority, will be granted "a high degree of self-governance". The Kosovo government will have the option of holding posts in the governments of Serbia and the federal republic of Yugoslavia.

Reacting to the draft settlement, Serbian officials objected in private to the extent of autonomy proposed for Kosovo and the sweeping powers vested in the Kosovo Verification Mission (KVM) headed by Mr Walker.

According to a copy of the draft plan, seen by the Financial Times and published in part by Serbian media, the head of KVM will supervise implementation of the agreement and, for an undefined transitional period, have the power to shut down existing institutions.

## WORLD MARKETS

STOCK MARKET INDEXES	
New York: Dow Jones Ind. Av.	8,888.50
NASDAQ Composite	2,758.88
Europe and Far East	
CAC40	4,038.32
DAX	3,180.82
FTSE 100	3,012.4
FTSE Eurotop 300	1,232.33
Nikkei	14,465.18
US LUNCHTIME FUTURES	
Federal Funds	4.75%
3-mth Treas. Bill: Yld	5.19%
Long Bond	101
Yield	5.16%
OTHER RATES	
UK 3-mo bank bill	5.5%
UK 10 yr Govt	5.1%
BBA Eurodollar	5.1%
Overseas 10 yr Bond	100.07
Japan 10 yr JGB	38.75
NORTH SEA OIL (Apr/May)	\$10.05
Brent Dated	11.32

THE FINANCIAL TIMES LIMITED 1999 No.33,821  
London • Leeds • Paris • Frankfurt • Stockholm • Milan • Madrid • New York  
Chicago • Los Angeles • Tokyo • Hong Kong

BANKING TARGET PRICE 22.15. Prices in local currency as shown	
Belgium	100.00
France	100.00
Germany	100.00
Italy	100.00
Japan	100.00
Spain	100.00
Sweden	100.00
Switzerland	100.00
UK	100.00
US	100.00

CONTENTS	
World News: North America 8	Companies & Finance: 21-28
International 6, Asia Pacific 4,	Europe 24, The Americas 22,
Trade 7, UK 10,12	Asia Pacific 26,
European News: 2,3	UK 28,
Management/Technology: 14,16	Capital Markets 30
Comment & Analysis: 18,19	World Stock Markets: 36-42

Full contents and Lex back page

**Chopard**  
GENEVE  
depuis 1860

The new movement  
**L.U.C.**  
Hear to a proud watchmaking tradition

The automatic movement presented by Chopard as the L.U.C. - short for Louis-Ulysse Chopard - is an tribute to the company founder. Putting the roller off to its last advantage, the L.U.C. movement is produced in hand-crafted of steel in white gold, rose gold, white gold and platinum. Made with the "patron de Genève" hallmark and a hand-crafted dial, the L.U.C. movement is a masterpiece of watchmaking and provides worldwide. For an exceptional response and lot of automatic movement, please telephone 077.586.633 or fax 077.586.634.



## Strasbourg and Paris to get fast train link

Telephone 44 8 91 234 Printer  
Kjällströmmen Expressen, PO Box 60  
S-350 06, Jönköping  
© The Financial Times Limited 1991  
Editor: Richard Lambert, c/o The Financial Times Limited, Number One Sunningdale



RUSSIAN ECONOMY POLICIES UNLIKELY TO SECURE AID

## IMF sees Moscow plan fall short

By Andrew Jack in Moscow

The Russian government yesterday completed a new economic plan which falls short of objectives set out by the International Monetary Fund for release of new financial aid.

Yevgeny Primakov, the prime minister, yesterday completed work on a document of about 40 pages detailing a range of budgetary and fiscal objectives drafted in response to requests from the IMF.

However, the policies and targets it outlines – which have been circulated in draft form over the last few days – are believed to fall to meet some of the previous assurances tentatively agreed by top negotiators on both sides just before Christmas.

The document has been prepared against the backdrop of negotiations in Moscow between the government and a high-level mission of IMF officials from its Washington headquarters. The talks came to an end this week.

The Russian government

desperately needs support from the IMF to help close its budget deficit, revive its flagging economy and pave the way for loans from a number of individual countries and international organisations.

It has so far held inflation below the levels feared by many analysts, and has attempted to introduce a tough budget to stabilise its economy.

The measures have been matched by high-level international diplomacy in an effort to win new support, including talks efforts at the World Economic Forum in Davos last week between Mr Primakov and Al Gore, US vice-president.

On Russian television on Sunday evening, Mr Primakov admitted that the government could not meet the objectives requested by the IMF for the 1999 budget. But he stressed the version approved by parliament last Friday had a budget surplus ahead of debt servicing costs for the first time in Russian history.

Absent from the latest pro-

posals were measures to deal with the restructuring of the country's banking sector, which was crippled by the August financial crisis. Other elements criticised by the IMF include the threat to block pipeline access to energy groups refusing to supply oil to domestic refineries that do not pay their bills.

There is also a lack of detail or any precise timetable for proposals that the government has made concerning privatisations, the reform of monopolies and changes to competition policy.

The proposals cite optimistic forecasts about domestic economic recovery which are being interpreted with considerable scepticism.

Mr Primakov said on Sunday that the current exchange rate of \$22.50 to the rouble – roughly the level set for the entire year in the 1998 budget – "should be lower" and was only so high because of "psychological pressure".

Before the August crisis, it stood at \$6 to the rouble.

## 'Russia should adopt euro to escape crisis'

By Peter Norman in Brussels

Russia should adopt the euro, Europe's new single currency, to escape its grave economic and social crisis, according to Michael Emerson, a former European Union ambassador in Moscow.

Mr Emerson, ambassador until 1996 and now a senior research fellow at the Brussels-based Centre for European Policy Studies (Ceps) and the London School of Economics, said Russia should follow the example of Argentina, which last month said it was considering abolishing its peso in favour of the dollar, and make the euro legal tender.

A "euro-isation" of the Russian economy would give the financial system new, healthy foundations and hold out hope of restoring Russia's capacity to service its debts. At present, Russia is unable to raise finance because it must pay an interest rate premium of 51 percentage points.

Mr Emerson will present

his idea at a Ceps conference this week shortly before a planned summit of the EU and Russia in Moscow on February 18.

Vladimir Mau, director of the Russian government's Working Centre for Economic Reform, said such a scheme might be theoretically attractive but was politically impossible. "I have a dream that at some point the dollar and the euro will join forces in one single world currency and that Russia will adopt the dollar," he said with heavy irony. "I think this scheme is no less realistic than for Russia to give up its own currency and join the euro."

Mr Emerson acknowledged that the European Central Bank would almost certainly be hostile to Russia adopting the euro unilaterally. But he argued that a wider euro area was certain to develop and embrace countries such as Bosnia, Bulgaria and Estonia which already tied their currencies to the eurozone through D-Mark currency boards.

## European pension fund plan coolly received

By Jane Martinson, Investment Correspondent

Plans to set up a ground-breaking pan-European pension fund have foundered as multinational companies have shied away from fighting national tax authorities and arguments have emerged over the right approach to use.

Organisers of the Pan-European Pension Association (Pepa), formed last June, have been forced to renege on 12 companies which had expressed initial interest in its proposals to bring a test case on the issue eventually to the European Court of Justice.

Robin Ellison, head of pensions at Eversheds law firm and one of the founders of the group, said he was disappointed with the failure of the association. But he said its formation had prompted a more positive attitude in the European Commission to the issue. "The mere formation of this association has influenced the political climate regarding the formation of pan-European pension funds," he said.

Mario Monti, the single market commissioner, who had expressed support for Pepa, put the issue of pan-European funds on the agenda of a high-level Taxation Policy Group of senior national ministers last year.

Pepa had initially attracted interest from multinational companies keen to challenge the current system, which makes pan-European funds unworkable because of national tax reliefs and the costly bureaucracy required.

An ad-hoc committee was formed, including Zeneca, the UK-based pharmaceutical company, and Kvaerner, the Anglo-Norwegian engineering group. The corporate activity of those involved – from takeovers to restructuring – is understood not to have helped its pensions executives gain backing for the legal challenge.

One of them said that the association was also hampered by a growing belief that confrontation over the issue could be harmful to the companies involved. Mr Ellison said: "Maybe it is better to let national governments sort it out rather than get into head-to-head conflict with the fiscal authorities."

Pepa also suffered from a failure to garner much support from companies based outside the UK and US. Continental European pension funds expressed disquiet over the litigious nature of the association.

Mr Ellison said the failure of Pepa to attract enough support could be a setback for the early creation of pan-European pension funds. But he added that the Pepa committee, which had collected between £30,000 and £40,000 (\$50,000-\$65,000), would meet again in six months to consider action if proposals by the European Commission did not seem adequate.

## Mother Russia opens arms to Belarus – who will be next?

Reunification agreement has sparked fears of chain reaction among former Soviet republics, writes Charles Clover

On a wintry day in December 1991 in a cottage in the western forest of the Belarus Soviet Socialist Republic, three men gathered to put an end to the 70-year-old Soviet Union.

What Stanislaw Shushkevich, then chairman of the Belarus parliament, remembers most vividly about the other two – Boris Yeltsin, president of the Russian republic, and Leonid Kravchuk, chairman of Ukraine's parliament – is their motives.

"Yeltsin at that time was a democrat, a man of principles," reminisced Mr Shushkevich. Thinking it over he added: "Yeltsin also wanted to get rid of [Mikhail] Gorbachev [general secretary of the USSR] by getting rid of the USSR."

Mr Kravchuk had been elected president of Ukraine a week before in a referendum that simultaneously declared Ukraine independent from the Soviet Union.

"For Kravchuk," remembered Mr Shushkevich, "the main thing was the referendum." As for himself, Mr Shushkevich may or may not have harboured political ambitions similar to Mr Yeltsin's and Mr Kravchuk's, in addition to wanting to see his native Belarus independent for the first time in centuries.

But on that day, the three men's tangled objectives coalesced into the Belavezha accord, formally abol-

ishing the USSR. Soon after, the three men flew back to their capitals to victorious welcomes. However, things started to change.

Mr Shushkevich and Mr Kravchuk have since been voted out of office in favour of candidates who campaigned for closer ties to Russia. And at the end of last year came the culmination of the process of undoing nearly everything that Mr Shushkevich had done for his country.

On December 25 Mr Yeltsin met Mr Shushkevich's successor as president of Belarus, Alexander Lukashenko, and signed four agreements, according to which Belarus and Russia are scheduled to be re-united by the end of 1999.

Does Mr Shushkevich feel that Yeltsin betrayed him? "Yeltsin's problem is very familiar," he said ruefully. "Anyone who stays too long in the Kremlin develops the Kremlin disease."

There are concerns, meanwhile, that the Belarus-Russia unification could affect more countries, even touch off a chain reaction among other former Soviet republics, whose economies have performed badly since independence from the USSR. Ukraine's gross domestic product, for example, has fallen by 60 per cent since 1991.

In Ukraine, for example, parliamentary speaker

Alexander Tkachenko last week called the prospective union between Belarus and Russia "the start of a very promising path" which, he implied, might include Ukraine.

"For Ukraine, the seven year path from Belavezha has turned out to be seven big steps downwards," he said, calling for "Slavic unity and brotherhood".

And on January 14 Mr Tkachenko proposed that Ukraine join the Russia-dominated inter-parliamentary assembly of the Commonwealth of Independent States, a suggestion which provoked a bench-clearing brawl between communists and nationalist deputies in the chamber. Mr Tkachenko has scheduled another vote on the topic tomorrow.

Campaigns for Ukraine's presidential elections in October are just getting into full swing and are likely, just as they did in 1994, to emphasise the Russified east, which is far more populous than the west of the country, and where unification is popular.

"We are expecting the issue of unification to dominate Ukraine's political scene the rest of this year," said a western diplomat in Kiev.

And while both Mr Shushkevich and Mr Kravchuk were voted out of power for their nationalist leanings, the wily Boris Yeltsin, who had used the



Shared history: Boris Yeltsin (centre) pictured with Alexander Lukashenko, president of Belarus (right), and Russian Orthodox Patriarch Filaret in front of a war memorial in Brest

disintegration of the USSR to further his political career in 1991, was able to reverse direction and hold on to power, this time by leading the charge in the other direction.

In 1996, for example, when he faced a tough election battle against Communist Gennady Zyuganov, Mr Yeltsin was able to outflank his opponent when he travelled again to Belarus, this time to meet Mr Shushkevich's nemesis, Mr Lukashenko, and sign the first of the agreements endorsing further integration of the two countries.

And the crash of the Russian rouble in August last year and simultaneous currency and banking crises

throughout the region has added considerably to Russia's frequent urge to stitch its empire back together.

According to Valery Karbalevich, a political analyst in Minsk, "Since August, the main driver of integration has changed from being Belarus to being Russia."

He explained: "The Russian elite at the beginning of the 1990s made a social compact, that it would sacrifice its empire for the sake of higher living standards and economic development. The August crash put an end to this bargain. Quite simply, they didn't get economic development, and so they want their empire back."



"We believe that you cannot truly claim to be committed to the global markets without having a presence in Barcelona."

J. Michael Giles, Chairman of Merrill Lynch International Private Banking Group

## Strasbourg and Paris to get fast train link

By Robert Graham in Paris

The French government has approved a new high-speed rail link between Paris and Strasbourg on the eastern border with Germany, which would almost halve travel time to just over two hours.

Most of the rail line will be completed by 2006 at a cost of FF20.5bn (£3.12bn, \$6.62bn) and will allow time savings with routes to other EU centres, including Paris-Frankfurt and Paris-Zurich.

The first studies for connecting the French capital with Strasbourg – seat of the European parliament – were made 10 years ago. But successive governments have always favoured other projects as being more viable for the fast TGV trains.

The socialist-led government of Lionel Jospin decided to go ahead with the project last year but failed to resolve squabbles among the regions over financing. At the same time the European Union raised questions about its proposed contribution towards the construction. The line's cost is estimated at FF67m per kilometre.

However, late last week differences were finally resolved and the exact route finalised. The line will be some 30km longer than originally envisaged and FF2.5bn more costly. The part approved covers 320km from Paris, via Val-de-Marne to Baudrebourg, where it will then join the traditional track for the remainder of the journey to Strasbourg.

The original aim was to lay high-speed track right through to Strasbourg, cutting the journey to one hour 47 minutes against the two hours 19 minutes agreed on Friday.

The government will fund FF8bn of the total cost, although nothing will be disbursed until the 2000 budget. The EU has agreed to fund a further FF12.1bn. The Duchy of Luxembourg will provide FF700,000, as Paris-Luxembourg travel time should be reduced to three hours.

The transport ministry says the trains will be the fastest in the country with top speeds of 320km/h.

Until now Alstom, the Franco-British group, has been the TGV provider in France but the transport ministry says the contract for the Paris-Strasbourg link will be put to tender.

Over the past 20 years almost 1,300km of high-speed track has been laid in France. While passenger traffic has picked up rapidly, growing 11 per cent in 1998, successive governments have justified the TGV primarily on socio-economic grounds and the fare structure has reflected this.

With the state-run railways, SNCF, split into an operating company and a track, there is now pressure to pay more for the use of the track.

Within 18 months the full Paris-Marseille link will be operational, putting this Mediterranean port within three hours of the French capital.

You would have to go back quite a long way to uncover the origins of Barcelona's origins as a finance centre. In fact, its reputation as a busy financial centre stretches right back to its earliest days when the city was putting down its roots as an important focal point for the Mediterranean region. As things stand today, this age-old reputation has helped the city to occupy an enviable position on the world market as a financially favourable location and its unending commitment to raising a hand on its principal rivals to ensure Europe makes Barcelona a financial market of considerable importance.

The city can currently boast to be Europe's fourth most important market in terms of bond yield options and futures and the stock traded on the floor of Barcelona's stock exchange accounts for a fifth of all shares bought and sold in Spain. What is more, it is willing to explore new horizons.

has led to a significant number of medium-sized companies being attracted to the market, a development that is proving highly successful.

Barcelona, the language of finance is spoken fluently in all walks of society and the marketplace is remarkably up to date on financial matters.

is born out by the courses, workshops, discussions and conferences focusing on financial issues that are being held here all the time or the fact that Barcelona is the easiest to do all kinds of electronic transactions, thanks to the highest density of smart terminals and ATMs in the world.

BARCELONA  
The Southern Gateway to Europe



## ASIA-PACIFIC

## Japan sees tax revenue fall by 5.4%

By Michiyo Nakamoto and  
Gillian Tett in Tokyo

The deterioration in Japan's government finances was highlighted yesterday by figures showing that December tax revenues fell 5.4 per cent largely as a result of lower corporate tax revenues.

The revenue fall to ¥2,596bn (\$23.3bn) came largely from a 20 per cent decline in corporate taxes collected to ¥265bn as companies felt the squeeze from a sluggish economy.

The news added further gloom to the markets where concern about the economic

outlook have put pressure on bonds and equities. Fears that any future unwinding of cross-shareholdings by Japanese companies could hit equity prices unsettled Tokyo stock market and the Nikkei index fell 34.07 to 14,465.18.

At the same time, rising concern about the expansion in government debt took the yield on the benchmark 10-year government bond to a peak yesterday of 3.11 per cent, its highest level since mid-1997.

Koji Tanami, vice-finance minister, attempted to damp concerns about the impact

higher long-term interest rates would have on economic activity. "I don't expect the long-term interest rates to have a negative impact on the private sector's cash demand," he said yesterday.

However, unease about the ability of the Japanese economy to rebound has prompted moves within the ruling Liberal Democratic party to look for further ways to increase economic activity.

A key group of LDP politicians is considering allowing the Bank of Japan to buy government bonds directly

in an effort to support the economy.

Okikazu Yasuoka, who heads an LDP financial-system revitalisation panel, said that given the severe impact deflationary pressures could have, his panel would consider a range of measures, including underwriting government bonds by the Bank of Japan.

The idea is opposed by other senior LDP politicians and by the BoJ itself.

Masaru Hayami, bank governor, has vehemently opposed any suggestion that the bank should underwrite the bonds since he believes

the bank needs to reduce, rather than expand its balance sheet. Bank officials also fear that directly purchasing government bonds could shatter the central bank's credibility.

Although the central bank is permitted to buy JGBs in the secondary market, it only does this to manage its regular monetary operations, rather than as deliberate anti-inflationary policy.

But Mr Yasuoka's willingness publicly to discuss central bank underwriting of the bonds suggests he has the backing of at least some

key members of the LDP.

His comments provide the first public indication that elements in the government are considering this unorthodox anti-deflationary step.

Brian Rose, economist at Warburg Dillon Read said: "This is a political bomb. I don't think the government is desperate enough to do this yet, but it might later."

Mr Yasuoka's panel is also considering the possibility of setting up a government body to buy shares in an effort to prevent the unwinding of cross-shareholdings by Japanese corporations from causing market turmoil.

## Australia share ownership rises

By Gwen Robinson in Sydney

Direct share ownership among Australians surged in 1998, reinforcing Australia's position in second place in the world league of share ownership, behind only the US, the Australian Stock Exchange (ASX) said.

In an annual survey published yesterday, the ASX said the number of Australians who directly owned shares rose about 10 per cent last year, to 4.4m people, or 32 per cent of the adult population, largely because of a series of successful flotations, which included AMP, the Australian Insurance and funds management giant, and TAB, a state betting agency.

About 1.6m Australians received shares as part of AMP's listing last June, including 730,000 first-time investors, the highest number of first-time share owners entering Australia's stock market at one time, the ASX said.

Total share ownership, including indirect shareholdings through superannuation funds, showed a sharp increase from the 1997 survey, which put total share

ownership at 34 per cent of the population.

The results came as the ASX hit a high on Monday, its benchmark All Ordinaries index rising one per cent to 2,933.7 points on turnover of A\$972m (\$597.6m), surpassing the previous record close of 2,897.3 last month.

Market players were looking to today's meeting of the Reserve Bank board, the central bank board's first meeting of the year, although analysts ruled out a further interest rate cut.

Unexpectedly low inflation figures for the December quarter had fuelled speculation of a rate cut later in the year, following the bank's unusual move to cut rates by a quarter of a percentage point in December. But economists said yesterday the Australian economy was at present in no need of stimulus and official cash rates, now at 4.75 per cent, would stay unchanged.

Peter Costello, the treasurer, yesterday said the "continuing dream-run" of low inflation in Australia cushioned the economy against turbulent global trends.

## India and US near N-test sanctions deal

By Mark Nicholson in New Delhi

India and the US are moving towards an agreement by which Delhi would agree to accede to the Comprehensive Test Ban Treaty, perhaps within a few months, would do so in return for having economic sanctions imposed by the US after India's nuclear tests last May, lifted first.

The outlines of such a deal emerged after three days of talks between Strobe Talbott, US deputy secretary of

state, and Jaswant Singh, India's foreign minister. A joint statement after the talks ended on Sunday hailed them as "laying the foundations for a new, broad-based relationship that has eluded the US and India in the past".

Both sides resisted publicly suggesting any "breakthrough" from the weekend talks, the eighth in a series of Indo-US discussions prompted by India's nuclear weapons tests. But both US and Indian officials have pri-

vately suggested that the talks produced substantial movement towards an eventual deal to lift sanctions in return for India's signing the CTBT, which it has traditionally and staunchly opposed, around the middle of this year.

In an interview, Mr Singh said: "What we are witnessing is the synergy of small steps, as against the explosion of a 'breakthrough' as such - but the small steps are directed towards a commitment the prime minister

has given to the United Nations and India's parliament."

Atal Behari Vajpayee, India's prime minister, promised at the UN last year that India would work towards the "successful conclusion" of negotiations regarding the CTBT.

Mr Talbott yesterday met the Delhi ambassadors of the G8 group of industrialised countries to discuss the progress of the latest round of US-India talks. The eight agreed to freeze non-human-

itarian lending to both India and Pakistan by multilateral agencies, including the World Bank and Asian Development Bank, in response to their respective nuclear tests. The US has since waived the restriction on Pakistan, citing its acute financial crisis.

The persisting block on lending to Delhi from international financial institutions has led to the deferral of more than \$2bn worth of loans from the World Bank and the ADB.



Strobe Talbott: laying the foundations for a new, broad-based relationship

## NEWS DIGEST

## CHINA UNICOM

## Ministry official to head telecoms group

China Unicom, a second state telecoms company established in 1994 to provide competition for China Telecom, the dominant state player, appears set to fall under greater official control with the planned appointment of a senior ministry official as its chairman.

Yang Xianzu, the first vice-minister of information industry, is expected to be made chairman and possibly general manager of Unicom shortly, telecoms officials said.

Analysts said the planned appointment, which co-ordinates with talk of other personnel changes at the higher levels of the Ministry of Information Industry, could strengthen official control over competition between Unicom and China Telecom, and allow Beijing to exercise increased influence over telecoms equipment procurement decisions. China has said that, where possible, the equipment made by local Chinese companies should be bought before that of foreigners. Mr Yang has publicly endorsed this "buy local" policy over the past few months. James Kyngs, Beijing

## SOUTH KOREAN ECONOMY

## IMF to raise growth forecast

The International Monetary Fund is expected to revise upward its economic growth forecast for South Korea this year to 2 per cent from minus 1 per cent. The new IMF forecast comes in spite of a warning by Hubert Neiss, IMF Asia-Pacific director, that Korea is in danger of becoming complacent about a sustainable recovery.

Meanwhile, Seoul yesterday said imports had increased by 15.4 per cent last month in a sign of increased industrial investments as companies restock inventories of raw materials and capital goods. Analysts said investment had been on the rise since the second half of 1998 as the government tried to revive the economy by easing fiscal and monetary policies. John Burton, Seoul

## JAPANESE INDUSTRY

## Vehicle sales decline

Japanese domestic vehicle sales dropped in January by 6.2 per cent year on year to 241,511, the 22nd consecutive month of decline, highlighting the industry's continuing plight. The Japan Automobile Dealers Association yesterday reported sales of cars over 2000cc and trucks were particularly badly hit, recording declines of 9.9 per cent and 18.7 per cent. Cars up to 2000cc were up 2.1 per cent in a year-over-year comparison.

Chikao Masuzawa, analyst at ING Barings, said: "As last year's sales figures in January were very low, this month's decline is not very encouraging. However, we are comparing 18 working days in 1998 with 19 working days in 1999, this accounts for a part of the decrease. Given that the decline is single digit, the figures are not disastrous."

Julie Hess, Tokyo

## TAIWANESE ECONOMY

## Interest rates reduced

Taiwan's central bank has cut interest rates as part of a series of measures aimed at boosting growth and counteracting the effects of Asia's economic crisis. The bank's fourth batch of rate cuts in less than half a year came on the same day as the Taipei stock index fell to a 32-month low on worries about Taiwan's economic health.

Hsu Yi-hsiung, central bank deputy governor, said there was room for further reductions after a 25 basis point cut, which brought the rediscount rate to 4.5 per cent. The bank, which cut its rate for secured loans by 25 basis points to 4.875 per cent, said the move reflected high financial market liquidity. Mure Dickie, Taipei

## AUSTRALIAN INITIATIVE

## Asia aid flows to be studied

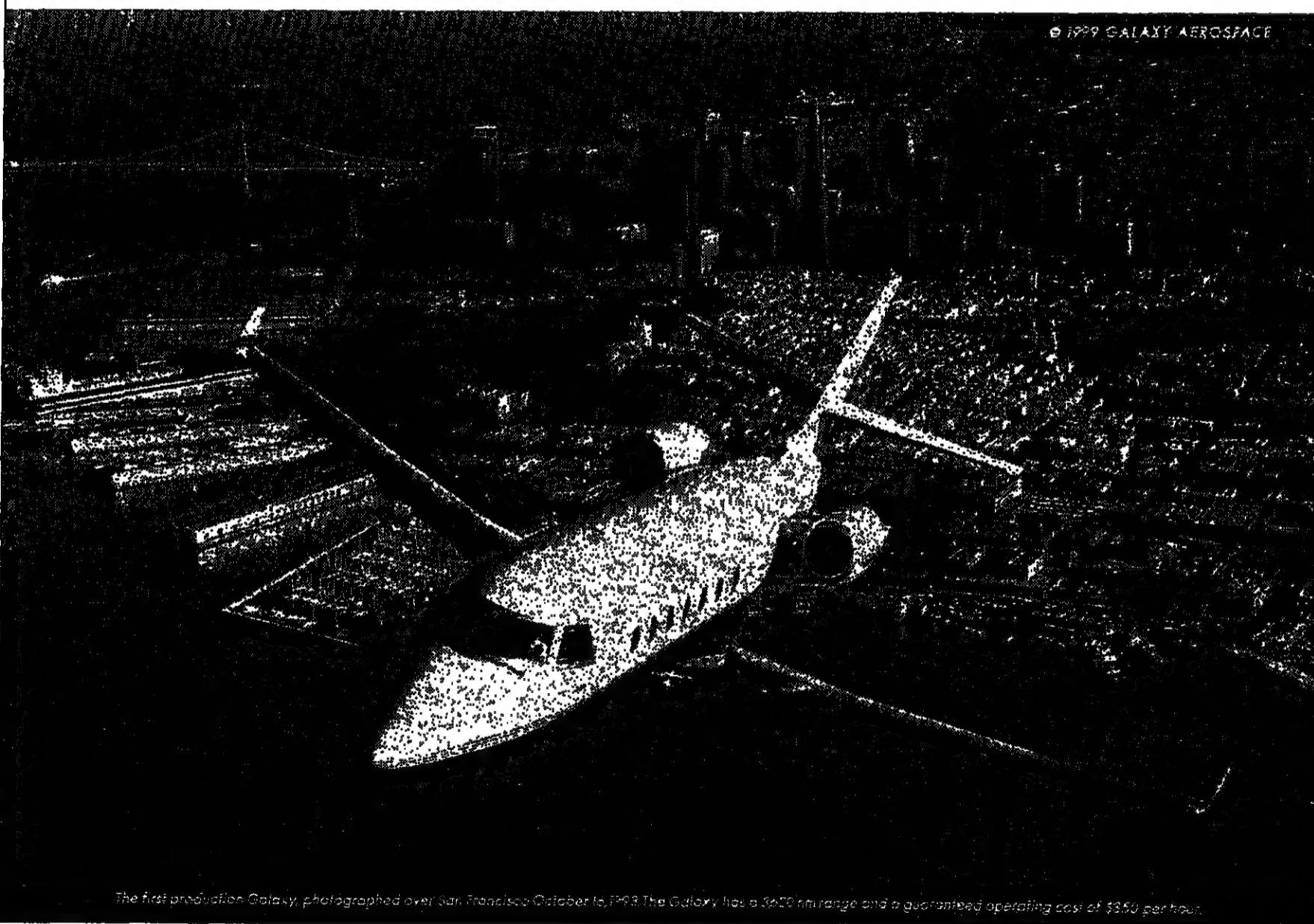
Australia is to host a meeting of international aid donors and Asian governments in March to seek ways of improving flows of assistance to countries hit by economic crisis. Alexander Downer, foreign minister, said the meeting in Sydney would not be a pledging session. Instead it would look at ways of better co-ordinating the provision of humanitarian assistance and promoting good government. Senior officials from the US, Europe, Japan and other industrial countries are likely to attend, while recipient countries will be represented at ministerial level.

In a speech to the Royal Institute of International Affairs in London, Mr Downer also warned that regional stability could be harmed by uneven cuts in defence spending across Asia as countries reacted to differently to the crisis. The change in the relative military strength was "potentially a problem," he said but declined to give specific examples. Peter Montagnon, Asia Editor, London

ON DECEMBER 16, GALAXY BECAME THE WORLD'S FIRST

FAA CERTIFIED

SUPER-MIDSIZE BUSINESS JET.



The first production Galaxy, photographed over San Francisco October 10, 1998. The Galaxy has a 5625 nmi range and a guaranteed operating cost of \$850 per hour.

NOW YOU DON'T HAVE TO BE A SENATOR TO KNOW THE THRILL OF SPACE.

A little less than a year to the day since first flight, the Galaxy intercontinental business jet has been certified to the very latest FAA standards. Keeping our promise of building a plane with an amazingly large cabin and an amazingly small price. An inch more cabin height than a GV, but priced \$20 million less. And all at a guaranteed operating cost of just \$850 per hour. No, you really don't have to be a politician to know the thrill of space, nor do you have to spend like one. Call Bryan Edwards, Director of Sales, at 011.441.258.820346, ext. 216. Or for a video, fax our U.S. headquarters on company letterhead with the name of this publication, 8178373862.

THE GALAXY INTERCONTINENTAL BUSINESS JET

GALAXY  
EXPLORE IT

www.galaxy.aerospace.com

صلى الله عليه وسلم



# Australia share ownership rises

Share ownership in Australia's listed companies has risen to 40 per cent, according to a survey by the Australian Securities and Investments Commission (ASIC). The survey, which is the first in 10 years, found that the average Australian household now owns shares in a listed company. This is a significant increase from 1999, when only 15 per cent of households owned shares. The survey also found that the average household now owns shares in 1.5 listed companies. This is a significant increase from 1999, when the average household owned shares in only 0.5 listed companies. The survey also found that the average household now owns shares in 1.5 listed companies. This is a significant increase from 1999, when the average household owned shares in only 0.5 listed companies.

## NEWS DIGEST

### Key official to head group

Key official to head group

### Growth forecast

Growth forecast

### Oil prices decline

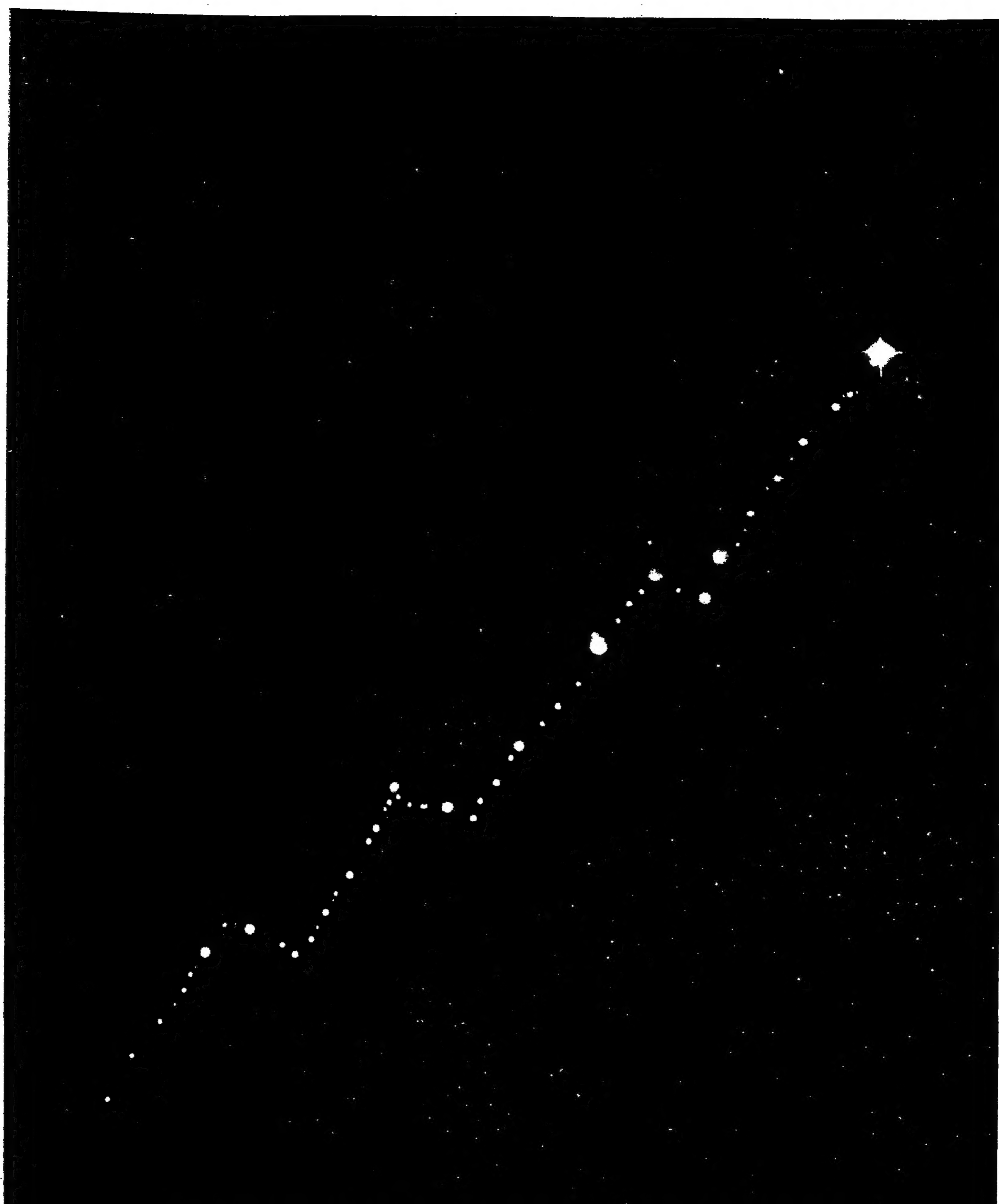
Oil prices decline

### Oil prices reduced

Oil prices reduced

### Oil prices to be studied

Oil prices to be studied



## Do the stars in Davos seem brighter this year?

At this year's Annual Meeting of the World Economic Forum, leading lights of business and government are finding it even easier to connect and interact. Knowledge is being shared more spontaneously. Communication is more seamless. And participants are able to maximize every minute of their time. Andersen Consulting is

enhancing the capabilities of the World Economic Forum by helping integrate their strategy, technology, process and people. So a global institution comprising 1000 of the world's foremost organisations can serve its members even better. Well known around the world for our work in improving the state of business, Andersen Consulting is

proud to support the World Economic Forum in its mission of improving the state of the world.

**Ac** Andersen Consulting

Visit us at [www.ac.com](http://www.ac.com)



## INTERNATIONAL

INTERNATIONAL LOANS ATTEMPT TO SHORE UP NASCENT DEMOCRACY AS LOW OIL PRICES WREAK HAVOC WITH ECONOMY

## West plans \$1.5bn package for Nigeria

By Michael Holman and Tony Hawkins

Western governments and leading agencies are preparing a conditional \$1.5bn package of support for Nigeria in an effort to ease an economic crisis which could destabilise the civilian government due to take office at the end of May.

Provided the winner of this month's presidential poll backs the economic reform programme introduced by General Abdulsalam Abubakar, Nigeria's military leader, an informal meeting of donors, chaired by the World Bank, is planned for March.

This will be accompanied by first steps towards rescheduling Nigeria's \$29bn external debt, say western

and Nigerian officials.

The initiative, which gathered momentum following Nigeria's recent return to the IMF fold after a 10-year break, reflects the importance western governments attach to the successful return to democracy of Africa's most populous nation, at a time when its economy is undergoing the most serious strains since independence in 1960.

The transition was at "a critical moment for Nigeria and the African continent", Gordon Brown, the UK chancellor of the exchequer, told a private dinner at the World Economic Forum in Davos on Saturday night.

"The west has to play its part in making it a success," he said.

"We also have to see a new

commitment to open government, sound and transparent institutions of policy, and a shift in spending towards health and education," the chancellor warned.

Earlier this month Nigeria met some of the main conditions of an IMF agreement when it ended a two-tier exchange rate, ended a subsidy on domestic fuel, and pledged faster privatisation of state-owned companies.

This paved the way to an agreement on an IMF monitored programme, which the Fund board is shortly expected to approve. The proposed donor meeting in March, say western officials, will be part of an effort to help bridge Nigeria's 1999 financing gap, estimated by Ismaila Usman, the finance minister, at \$1.5bn.

IMF and Nigerian government officials expect the full impact of the 12 year low in the price of oil, which accounts for 95 per cent of export earnings, to hit the country mid year, shortly after the scheduled handover to a civilian administration.

Fund officials fear that without external assistance, there is a risk of social unrest in a country already under considerable strain. Unemployment is rising, per capita income has fallen from a peak of nearly \$1,000 a year to about \$250, the country's infrastructure is near to collapse, and the naira, worth a dollar in the early 1980s, is worth barely cent today.

But western officials make clear that Nigeria will have to overcome widespread

scepticism about the commitment to reform from a country that has failed to keep past pledges to the IMF and is notorious for corruption.

Although the presidential election takes place at the end of February, the inauguration of the new administration is not until the end of May.

Given the backing of the president-elect, and provided there is continuing evidence of the government's commitment to reform, say western officials, a \$1bn three-year extended structural adjustment loan from the Fund could be close to agreement by the time the new civilian administration is installed.

The combination of the first tranche of the IMF loan, fresh lending from the World

Bank and the African Development Bank, and the availability of at least \$300m in aid from the European Union undisturbed during the preceding military regime of the late General Sani Abacha, would help close the financing gap.

Nigeria, which will be seeking eligibility for debt relief on the highly concessional terms offered by the joint World Bank/IMF Heavily-Indebted Poor Countries Initiative (HIPC), also hopes to open formal negotiations on its \$20bn debt to the Paris Club of official creditors in April.

The proposal has so far met with a sceptical response from the Club, whose \$20bn debt has not been serviced for some

years.

## Saddam offers 'prizes' for downing jets

By Randa Khayat in London

Iraqi President Saddam Hussein is taking his defiance a step further and promising a 25m dinars (\$83,000) award to air defence troops who shoot down a US or British warjet patrolling the no-fly zones.

Nabid al Shahh, an Iraqi newspaper, said yesterday the presidential office would also pay 10m dinars for bringing down a missile, and a further 5m dinars for the arrest of an enemy pilot.

These sums are fortunes in a country where monthly salaries are worth a few US dollars.

Since the US and British air strikes on Iraq in December, Baghdad has been firing at US and British jets patrolling the northern and southern no-fly zones imposed over the country, and periodically sending its aircraft into the exclusion areas.

Bringing down a jet would boost troops' morale, following the pounding of military installations in Operation Desert Fox.

The US military has been given expanded rules of engagement allowing it to strike at any part of Iraq's air defence system. Derek Fatchett, minister of state at the UK foreign office, said yesterday that jets would continue enforcing the no-fly zones as a "necessary humanitarian measure".

The zones were imposed following the 1991 Gulf war to protect Iraq's Kurds in the north and Shi'as in the

south. Iraq considers the zones illegal because they were not set up as part of a United Nations resolution and are only enforced by the US and Britain.

Mr Fatchett yesterday called on Baghdad to co-operate with the three panels set up by the UN Security Council on Saturday to review progress on disarmament, the humanitarian situation and the issue of missing Kuwaiti prisoners and property.

The panels are to report back to the council in April. Baghdad has dismissed the UN decision as a way of prolonging the eight-year UN sanctions.

Speaking at London's Royal United Institute for Defence Studies, Mr Fatchett portrayed the UN decision on the panels as having re-established consensus on Iraq at the Security Council. The council has been deeply split since the US and British raids. But he said the panels could achieve progress without Iraqi co-operation.

A significant achievement for US and UK policy, Mr Fatchett added, was that the panels revived the role of Unscorm, the UN weapons inspecting commission which Iraq accuses of spying.

Russia wants Unscorm abolished, but agreed that the disarmament panel "would involve the participation and expertise from the UN Special Commission", as well as other UN disarmament agencies.

DELTA REGION RISING VIOLENCE BY TRIBAL ACTIVISTS THREATENS TO COMPLICATE TRANSITION TO DEMOCRACY

## Risk of more disruption for oil companies

By Robert Corzine and William Wallis

The violence between Nigerian troops and protesters in the oil-rich Niger Delta continued unabated at the weekend, with 19 people reported killed close to the Forcados crude export terminal operated by Royal Dutch/Shell, the biggest foreign oil company in Nigeria. Last month dozens were killed in neighbouring Bayelsa state after troops were called in when young activists of the Ijaw tribe threatened to shut much of the onshore oil production.

The latest incident underscores the rising tension in the area, where foreign petroleum companies face the prospect of more widespread and violent disruption to their operations unless the military government takes steps to meet the demands of local communities for a greater share of the Niger Delta's oil wealth.

So far the government has only announced the formation of a high-level committee to look into the issue, even though the growing conflict in the Delta could complicate the transition to democratic rule in Nigeria and challenge the incoming civilian government's ability to hold the country together.

Ijaw villagers and their

leaders believe the cycle of violence will accelerate if the government proves intransigent in dealing with their demands, and that the next wave of oil field disruption could be far more extensive. About 200,000 b/d of production - mainly belonging to Royal Dutch/Shell and Chevron - is shut across the Delta as a result of what oil companies describe as "community action".

They say the tension is the worst they have experienced. For an older generation of residents the reinforcement of troops and gunboats has recalled the civil war 30 years ago, fought in part in the maze of creeks and mangrove swamps from where the oil is pumped.

Although many traditional leaders have argued against violence, their authority among the younger generation has been eroded by the perception that they have been corrupted by payoffs from oil companies and the government.

"If we're not careful soon



US oil fire experts extinguish a seven-day blaze last October that began after a pipeline was vandalised. Violence has since worsened

Although residents differ in how to approach the companies and the government, there is no disagreement about the need for a radical redress of their grievances. The Ijaw, numbering several million, are Nigeria's fourth-largest tribe. But while they are a minority group in some states, in Bayelsa they are the overwhelming majority.

The state, described on vehicle licence plates as "the pride of the nation", is littered with examples of past failures to share Nigeria's oil wealth with the regions that produce it. There is only one paved road leading to Yenagoa, where the wife of one former military administrator enriched herself through the supply of cement for government buildings, many of which were left half-finished.

In the fishing villages where most of the population lives there is no electricity or clean water. Formal government services are non-existent. The jungle has reclaimed schools and health centres. To add insult to injury fuel prices are more than four times the official level. In a riverine area where boats with high consumption engines are the lifeline to the outside world, the oil companies have felt obliged to step up their own contribution to the region's development, but some of their actions are exacerbating tensions. Their efforts are also undermined by their fear of talking directly to villagers. During a recent visit to Sangama, a small fishing port, residents were seen squabbling noisily

over the distribution of a cow, some tins of tomato and other foodstuffs offered to them by Texaco which operates a nearby rig. Several community leaders said they resented such offerings as they could not be distributed equitably and were a source of jealousy among villagers. "Our grandfathers were deceived with food and drink," said Jeyan Wongora, a community elder.

Moreover, the companies' frustration at the deteriorating situation in the Delta has led them at times to embark on seemingly desperate strategies. Several companies have put jaw youths on the payroll and asked them to do nothing more than stay at home and out of trouble. But in the case of Shell, this tactic clearly back-

fired. It hired youths from Nembe, one of the biggest fishing towns in Bayelsa, who approached their counterparts in Akassa with a proposal that they kidnap the Nembe group.

The aim was to split a ransom that Shell would have been asked to pay. The Akassa youths, who last December received more than \$10,000 to return a hijacked seismic boat, rejected the scam.

In the light of the latest clashes a big uncertainty among both the companies and the communities must be whether the Delta is now so ungovernable that even concrete gestures from Abuja, the federal capital, may not be enough to prevent the conflict from entering a more dangerous phase.

## 'Triple cocktail' hope in Aids fight

By David Pilling, Pharmaceutical Correspondent

HIV patients may be able to prevent the onset of full-blown Aids without resorting to drugs suspected of causing severe side-effects, according to data presented at an annual retrovirus conference in Chicago yesterday.

The Atlantic study, which was organised by European and US universities, found that "triple cocktails" of drugs without protease inhibitors were as effective in suppressing viral load as

those containing them. Defenders of protease inhibitors, heralded as a wonder drug when introduced in the mid-1990s, argue that lipodystrophy - the heavy build-up of fat - is a consequence of surviving HIV, and that its effects have only been noticed as patients live longer.

Triple therapy suppresses HIV, but does not appear to eliminate latent viral "reservoirs". The high-stakes strategy is to encourage the virus to replicate, in effect entice it out of hiding, before "sapping" it with powerful drugs.

## WORLD ECONOMIC FORUM

REGIONAL MARKETS WITH ASIA NO LONGER IN FASHION, EXECUTIVES EYE EURO-ZONE FOR INVESTMENT

## Euro-phoria grips business leaders



By Tony Jackson in Davos

A year is a long time in business. At the World Economic Forum in Davos a year ago, western business leaders were rubbing their hands over the Asian crisis, and the chance of picking up assets on the cheap. This year, emerging markets have been virtually written off. The latest fad is Europe: more specifically, the euro-zone.

The new note of euro-tri-umphalism was sounded by

Gerhard Crompe, chief executive of the German manufacturer Krupp Hoesch Thyssen. The euro, he said, would enable Europe to make up the ground lost to the US over the past 20 years.

It was already causing mergers, plant closures and industrial concentration. "The euro will speed up this process in a way most people outside the business world - politicians, trade unionists and the general public - have yet to realise," he said.

Gerard Meistraller, chief executive of the French utility Suez-Lyonnais des Eaux, said the euro would also have a profound effect on governments. "Different states will be forced to adopt competitive economic policies," he said.

The mood was not confined to European executives. At a private dinner in Davos on Saturday, the chief executive of a large US manufacturing company asked his guests whether, on a five-year view, they would prefer to invest in Europe or emerging markets. Almost without exception, they chose Europe.

All this seems rather at odds with the fact that the euro is still in practical terms almost non-existent, except in financial services.

A director of a large European vehicle components maker at Davos confided that, by late January, euro invoices received by his company were still in single figures. He had mentioned this to one of the big euro-zone

car makers, only to discover it had yet to receive any euro invoices at all.

The one note of concern from employers was on wages. Adam Turner, director general of the Confederation of British Industry, the UK employers' body, said: "It is on the trade union agenda to introduce pan-European collective bargaining. If [wage] harmonisation across regions runs ahead of productivity, you have a powerful engine for unemployment."

Meanwhile, if western business leaders were dismissive of emerging nations, those nations seemed to return the compliment. Delegates had little to say on attracting investment, much more on how to limit capital

flows as a means of protecting themselves against speculation.

The mood was summed up by Lee Kuan Yew, Singapore's elder statesman. "For small countries," he said, "the cost of opting out is less money coming in, and less growth. But once they have done their cost-benefit analysis, that may be better than the risk of devastation."

The business response to that was predictable. Jon Corzine, co-chairman of the UK investment bank, Goldman Sachs, said limited restraints on the inflows of capital should not be dismissed. "But no one will invest in a country," he added, "if they don't believe they will get their money out."



Sir John Browne: 'Something good has to come of a merger'

public. However, European surveys showed that people believed large companies were more responsible than small ones. "I'm not sure that's true, but we had better make it true," he said. "Otherwise, one of the fundamentals [of mergers] will be corroded."

Daniel Vasella, president of the Swiss drug group Novartis, formed in a \$30bn merger three years ago, said, "Layoffs create fear, and consumer benefits are often taken for granted or not recognised. The difficulty is that politicians and the public often cannot see beyond the stressful period of reconstruction."

Jürgen Schrempf, chair-

## Newly isolated genes can fathom the human heart

By William Hall

It may not be too long before gene chips, which can read people's genetic blueprints, become as common as microchips, and the revolution in the biotech industry spawns companies that have an impact similar to the one Microsoft has had in the computer industry.

Bill Haseltine, chief executive of Human Genome Sciences (HGS), is one of a new breed of scientists-turned-entrepreneurs trying to capture the benefits of the biotech revolution.

He has formed seven biotech companies since he left Harvard and yesterday gave his thoughts on the next generation of genetic and medical technologies.

He formed HGS in 1992

and it has been able to isolate in a useful form virtu-

ally all the human genes. "The goal of our industry is to be able to predict, detect, prevent, treat and ultimately cure most diseases of man. In our lifetime we will see great progress," said Mr Haseltine.

He cited cardiovascular disease, the main cause of death worldwide. HGS has a virtually complete set of genes of the heart and can understand how they change and help the passage of the disease. This will allow the detection of changes that are occurring in the heart.

"The earlier you can detect a change, the earlier you can alter the course of disease favourably," said Dr Haseltine.

"We now have the ability to predict the occurrence of future heart disease. It is not pie in the sky."

But he believed the real impact of the genetic revolution on disease would be on regenerative medicine - the ability to repair parts of the body damaged by disease, injured by trauma and even worn by time.

A gene has been discovered that the body uses to build new blood vessels. If it is injected into heart muscle it can regrow blood vessels. "It is happening in real patients today. We can grow new blood vessels in arms and legs when needed."

In the next three to five years, he predicted that the greatest impact of genetic research on cancer would be providing tests to identify individuals at risk when they are well. One of the big issues in cancer treatment is being able to detect the disease early enough to cure it.

## Ageing baby boomers lead drug groups a merry dance

By William Hall

Never mind Viagra. What the over 50s really want is a drug to put the light fantastic back in their dance routine.

Kenneth Dychtwald, chief executive of Age Wave, which specialises in the study of ageing, said yesterday an over-50s women's focus group researching what products might help them feel and function better found that what the women really wanted was a pill to make men dance more. "They could do with-

out the dog in heat but they would like to go out for a night of dancing," he said.

Mr Dychtwald, who helps companies develop products to satisfy the appetites of ageing, wealthy baby-boomers, describes Viagra as a watershed. "The message was that people who are functioning at less than an optimum level want to return to that optimal level," said Mr Dychtwald.

"Whether it is how youthful your skin looks, your ability to stay lean and trim, or even how easily you move your bowels. The world is

going to want thousands of products to bring about human enhancement," said Mr Dychtwald. He predicts a trillion-dollar "human enhancement" industry.

It would draw on five or six different areas of science that would provide therapies, ingredients and technologies to allow people to ward off the effects of ageing.

The notion of living a long time but failing apart more each day was a "nightmare of ageing" and people would spend large amounts of money to prevent it.



## Hormones add to WTO pressures

By Frances Williams in Geneva

The US and European Union yesterday fired fresh warning shots at the World Trade Organisation in their dispute over beef hormones which both sides say threatens to dwarf their dispute over bananas.

US officials said the EU appeared to have no intention of lifting its 10-year-old ban on hormone-treated beef by May 13, the date set by the WTO for implementing its ruling against the ban.

"Such a stance would further undermine the credibility of the WTO system," Rita Hayes, US ambassador to the WTO, told a meeting of the WTO's dispute settlement body.

Washington last week requested WTO authorisation to impose more than \$500m in trade sanctions on EU goods because of the EU's alleged failure to comply with an adverse WTO ruling on its banana import regime. That request has been suspended pending arbitration.

The US has also threatened to retaliate if Brussels does not lift the beef ban which the US estimates is costing its cattle farmers \$250m a year in lost exports.

However, in an indication that Washington may be prepared to be more conciliatory, US officials have urged the EU to discuss "WTO-consistent solutions" before the May deadline expires.

The EU says the ruling allows the ban to be maintained provided it can be justified by scientific evidence that the hormones in ques-

tion pose a health risk for consumers.

EU officials told the dispute settlement body yesterday that Brussels had commissioned new scientific studies which, though they would not be complete by May, would allow the EU "to fully implement" its WTO obligations.

In a separate dispute, the dispute settlement body established a panel to examine a 1916 US anti-dumping law that the EU claims is being used to harass European steel companies. US officials said yesterday that the law was "moribund". However, US steel companies, hit by a surge in imports, have recently filed cases against European and Japanese importers. Japan also plans to bring a WTO complaint.

A panel was also set up at the request of the EU and Japan to investigate Canada's auto pact with the US which gives trade privileges to America's Big Three car manufacturers. Another panel will consider Canada's patent legislation which Brussels claims violates the WTO's rules on intellectual property protection.

A fourth panel request by the EU, this time concerning anti-subsidy duties imposed by the US on steel imports from the UK, was postponed until February 17. At that meeting the EU also plans to ask for a panel to rule on Section 301 of US trade law which Brussels claims is being used to threaten unilateral - and thus WTO-illegal - sanctions in the banana case.

INTELLECTUAL PROPERTY BUSINESSES MAY BE LOSING \$1bn A YEAR THROUGH ILLEGAL COPYING

## Software pirates boom on the internet

By Paul Taylor

The internet has become the fastest growing area for software piracy and could be costing software developers up to \$1bn a year in lost revenues, according to Robert Holleman, chief executive of the Washington-based Business Software Alliance.

The BSA, which represents most of the large business software developers including Microsoft, Symantec and Adobe, has begun monitoring the number of web sites offering, linked to or discussing *warez* - the

hacker name for pirated software.

In some cases these web sites offer software for downloading, in other cases they provide key-numbers and passwords enabling illegal software users to bypass software security measures. In many cases the sites are also linked to pornography distribution.

Research by the alliance shows that the number of these sites in Europe jumped from about 39,000 at the end of April to 94,832 at the end of December. Worldwide, the number of *warez* mentions

more than quadrupled from 200,100 at the end of April to almost 900,000 at year end.

If just 1,000 sites handle 1,000 downloads a year of software worth \$1,000 each the revenue lost would be \$1bn. "The internet is a very important way of legally distributing software and virus updates," said Mr Holleman, "but it is also the easiest way for pirated software to be distributed and it is a difficult form of distribution to police."

In its response to the European Union's green paper on combating counterfeiting

and piracy in the EU, the alliance notes: "Internet piracy is a cross-border problem unlike any that copyright holders have faced before. Unauthorised copies can be made available by internet users based in any of the EU member states or any other country, and downloaded by any of the more than 100m internet users in other member states and throughout the world."

One case brought by the BSA in recent years illustrates the scale of the problem. In 1995 the BSA received a tip-off that a large

collection of commercial computer programmes had been installed without permission on an internet server at the Swedish Royal Institute of Technology. Over a three-week period of monitoring, software worth \$1.7m was downloaded by internet users all over the world. The university shut down the site and police arrested two students.

In other cases the internet is used to advertise pirated software. For example, the BSA said large volumes of counterfeit software CD-Roms had been offered for sale on

a web site based in Denmark last year.

The BSA and other trade organisations have had some success in reducing the level of physical piracy in recent years, particularly in developing countries, but also in many west European markets.

He said the BSA was adding resources to help combat the problem, but added that the alliance mainly had to rely upon internet service providers for co-operation in identifying and closing down pirate software operations.

## ECGD opens talks on resuming Cuba cover

By Pascal Fletcher in Havana

After an absence of direct formal contacts lasting more than a decade, Britain's Export Credits Guarantee Department (ECGD) has reopened talks with Cuba's government about the possibility of resuming cover for British exports to the Caribbean island.

John Weiss and Ms Celia Adivihall, two senior ECGD officials, have been in

Havana to meet Carlos Lage, Cuba's vice-president, Francisco Soberón, central bank chief, and other government officials. The talks were described by British diplomats as "exploratory".

Resumption of ECGD cover for UK exporters operating in Cuba would be linked to some formula for repayment of short-term debt owed by Havana to the British export credit agency. Cuba's total arrears to the

ECGD of £120m (\$200m) include some £17m (\$28m) of short-term debt.

The Havana talks resulted from a visit to Cuba last November by Brian Wilson, UK minister for trade. He expressed concern that British exporters were losing out to some of their European competitors because of the absence of official UK export credit cover for the island.

Britain's trade with Cuba has lagged significantly

behind that of other European Union nations, such as Spain, France and Italy. British businessmen say the lack of ECGD cover is largely to blame for this.

Medium-term cover provided by the ECGD was withdrawn in 1988 when Cuba first rescheduled its foreign debt with the Paris Club group of creditors. The British agency's short-term operations were transferred to the private-sector com-

pany, NCM of the Netherlands, in 1991.

The revival of official contacts between Havana and the ECGD comes amid increasing efforts by Cuba to seek solutions to the problem of its \$10bn foreign debt.

Last year, Havana signed two bilateral debt rescheduling agreements, one with private companies in Japan and another with the Italian government. Cuban officials have also re-opened a dia-

logue with the Paris Club to study debt solutions.

Diplomats said the British agency was already in the early stages of negotiating possible support for an investment project in the island's electric power sector.

This would involve the supply of equipment by a British company. Underwriting the export of equipment was a potentially fruitful area of future business.

### NEWS DIGEST

#### UK ENERGY MARKET

#### Britain complains over Polish coal subsidies

Britain has complained to the European Commission and Poland about subsidised Polish coal exports distorting the UK coal market. John Battle, UK energy minister, said yesterday that efforts to safeguard the British coal industry could be undermined by the imports. The UK claimed that Polish coal producers received state finance of about £200m (\$330m) a year, which is not repaid.

British coal experts said this meant Polish imports were being sold at a fifth of the price of production. "This distortion needs to be removed quickly if it is not to do lasting damage to UK producers," Mr Battle told a Coal Industry Society meeting in London.

"Over the last few weeks I have had strong complaints from UK producers that Polish coal is entering the UK market at prices below the cost of production in Poland," he said. Sethnam Sanghera, London

#### SEMICONDUCTOR MARKET

#### Growth of 15% forecast

After three years of declining or meagre revenue growth, the worldwide semiconductor market will grow by 15 per cent to \$154.5bn this year, according to Dataquest, part of the Gartner Group IT consultancy. The strong forecast comes amid mounting indications that the slump in memory chip prices, which has cast a shadow over the whole semiconductor industry in recent years, may finally be over. In addition, Dataquest analysts expect second half revenues to be bolstered by Year 2000 concerns which they expect to result in firm equipment orders.

"The third quarter of 1999 should bring good semiconductor growth - helped in part by 'protective ordering' in advance of potential year 2000 problems - followed by a strong fourth quarter of 1999," said Jim Eastlake, director for Dataquest's Semiconductors Europe program. Paul Taylor, London

#### WIRELESS TELECOMMUNICATIONS

#### Mexican contract awarded

Nortel Networks, the Canadian communications networking company, yesterday announced a \$400m contract to build the world's largest fixed wireless telecommunications network for Axtel, one of Mexico's alternative carriers. Nortel said expected growth could eventually lift the value of the contract to \$750m. Axtel, formerly known as Telinor, expects the network would eventually serve 2m subscribers, making the system four times larger than any other currently operating fixed wireless network. Axtel is 51 per cent owned by Mexican investors and 27 per cent by Bell Canada International. Nortel said it would supply its second generation fixed wireless technology, a high capacity system called Proximity II, providing subscribers with voice, fax, data, internet access and other services. Axtel's networks is expected to begin operations by the second quarter of 1999. Scott Morrison, Toronto

#### MEXICAN ANTI-DUMPING ACTION

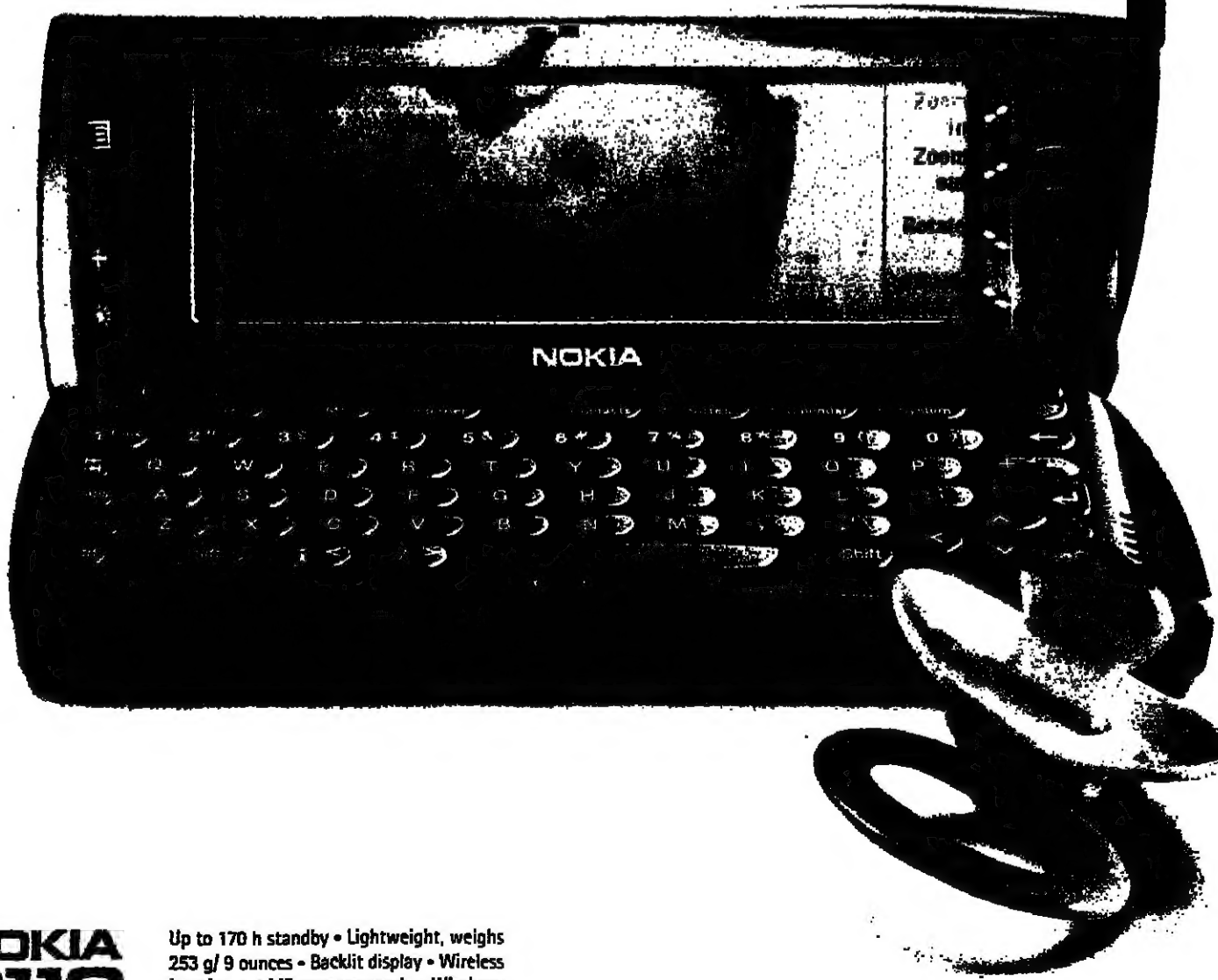
#### US pork exports penalised

Mexico yesterday announced it would impose countervailing duties on imports from the US of live pigs to protect Mexican farmers from a cross-border influx of pork products at below market prices. An investigation by Mexican trade and industrial officials between October 1997 and March 1998 said a further increase in US exports at dumping-level prices posed a threat to Mexican pig farmers which could "cause a serious deterioration in national production." Mexico is seeking to protect itself against an expected rise in US pork products due to large stockpiles in the US because of historic price lows. In November last year, pork imports from the US amounted to \$9.8m, up from \$819,000 in the corresponding month of 1997. Andrea Mendel-Campbell, Mexico City

"When our first child was born, I couldn't wait to tell everyone. I called my parents. I sent faxes to my colleagues. And I sent e-mail to my brothers and sister. With the Nokia Communicator, I can always choose the means of communication that's easiest and most convenient for me. Keeping in touch with my colleagues, family and friends is important to me. That's why I have the Communicator, so I can keep in touch by phone, fax, e-mail, Internet. There's even the File Transfer Protocol - so I can load pictures of my firstborn onto my homepage."

Ralf Hühne  
Systems Analyst

# "It's our first."



**NOKIA 9110**  
Communicator

Up to 170 h standby • Lightweight, weighs 253 g/ 9 ounces • Backlit display • Wireless imaging • 4 MB memory cards • Windows compatible calendar and contacts

An easier way to communicate



**NOKIA**  
CONNECTING PEOPLE

www.nokia.com



## THE AMERICAS

US BUDGET DEFENCE SPENDING BOOST □ MEDICAL COSTS HIGHLIGHTED □ SUBSIDIES FOR INDIVIDUAL RETIREMENT ACCOUNTS

## Forecasts pave the way to fiscal bliss

By Gerard Baker in Washington

For most governments around the world, the budget-making process is essentially about choosing the most politically desirable trade-off among a number of competing objectives: cutting the debt, increasing spending, lowering taxes, addressing long-term fiscal problems.

For President Bill Clinton, who presented his budget for 2000 and beyond to Congress and the nation yesterday, there is no such uncomfortable range of choices. He can, and is proposing to, do just about everything: reducing a significant proportion of the government's debt as he puts social security, the state pension system, on a sound footing for another 30 years or more; cutting some taxes; and increasing public spending on a host of popular programmes.

The reason the president is in this almost unprecedented position of fiscal bliss is simple: federal government surpluses that simply keep growing with every new economic forecast.

A year ago, when he presented the first US balanced budget for 2000, Mr Clinton was able to forecast a cumulative, combined budget surplus of \$1,000bn over the next 10 years - a remarkable feat in itself, given the large deficits that dominated the fiscal picture

throughout the previous decade.

But yesterday the White House put the 10-year surplus estimate at more than \$2,400bn. The difference is not the result of budget measures proposed by the president, but reflects a combination of improved economic and fiscal conditions.

The fiscal plenitude enables the president, at least in his legislative proposals, which will be substantially amended by Congress, to save social security, by allocating 62 per cent of the cumulative surplus to meeting the long-term liabilities of the state pension system. It will also allow him to increase spending on health, education, defence and law enforcement and cut the odd tax here and there.

But are these forecasts realistic? They seem based on perfectly sensible, perhaps even cautious, assumptions. Faster growth raises the surplus by increasing tax revenues and cutting spending. But you do not need to believe the US has shifted to a new paradigm of faster sustainable growth - to believe in these projections.

Though growth has averaged more than 3.5 per cent per annum for the last three years, the White House expects it to fall quickly back below trend - at 2 per cent for the next three years, before reverting to the

US budget: record surpluses



John Lamm, director, White House Office of Management & Budget

long-term rate of 2.4 per cent over the rest of the forecast period.

The unemployment rate, currently at a 25-year low of 4.3 per cent, is expected to rise sharply, to 2.3 per cent by 2002 and for the foreseeable future.

Inflation hawks might find the price assumptions a little optimistic. Inflation is expected to average 2 per cent for the foreseeable future - a factor that helps cut indexed spending - but that is in line

with most private-sector forecasts.

These assumptions are not much changed from a year ago. One thing that has changed in a way that raises the surplus, however, is interest rates. Long-term rates are forecast to be much lower - a whole percentage point lower this year - and three-tenths of 1 per cent lower in four years' time.

Part of that lower cost of borrowing represents the larger than expected sur-

pluses themselves, but part of it stems from more favourable monetary conditions generally.

Even so, these assumptions do not seem wildly optimistic, and in any case they account for less than half of the budget improvement since last year, according to the politically independent Congressional Budget Office, which examines US fiscal conditions.

The CBO, whose projections this year are remark-

ably close to those of the White House, says the rest of the improvement comes from a number of technical factors.

Total government revenues will reach almost 21 per cent of gross domestic product next year, the White House says, the highest figure since 1944.

Expenditures, at a little over 19 per cent next year, are forecast to be at their lowest level since 1974. Here the improvements are the result of lower costs in programmes such as Medicare and Medicaid, the health insurance schemes.

What are the risks that these assumptions will prove optimistic? First, economic growth could turn out much weaker. The White House forecasts are based on a "soft landing" for the economy from its rapid rates of growth recently. But if a deep recession occurred they would have to change.

Second, spending could increase more rapidly if Congress lifted the discretionary spending caps imposed in a period of deficits. The forecasts assume some acceleration, but not much.

Third, the revenue performance of recent years is still something of a mystery. Receipts have risen much faster than GDP growth for five years. If that trend went sharply into reverse, the fiscal picture would look a lot more gloomy.

## Real's slide halted as panic abates

By Geoff Dyer in São Paulo

Brazil's battered economy won some temporary relief yesterday when the Real's rapid slide against the dollar, which has raised fears of high inflation and financial chaos, was halted.

The panic selling that dominated the market on Friday was replaced by optimism that the Brazilian government would agree a revised emergency financing deal with the International Monetary Fund over the next few days.

Stanley Fischer, the IMF's deputy managing director, was due to arrive in Brasília last night to lead the negotiations, which Brazilian officials believe will accelerate the approval of a new agreement.

By mid-afternoon the Real was trading at R\$1.95 to the dollar, after closing at R\$2.05 on Friday. The reduced tension in the currency market prompted shares on the São Paulo stock exchange to jump 4.6 per cent, while the prices of Brazilian international bonds were also higher.

The Real has now devalued 38 per cent since the government was forced on January 13 to abandon its crawling peg, which had been the centrepiece of its anti-inflationary strategy. In November, the government signed a \$4.5bn finan-

cing agreement with the IMF and other international organisations. Brazil has drawn down around \$8bn of the package, with a second \$8bn becoming available by the end of February. However, as a result of the devaluation, the government is unlikely to meet some of the targets agreed with the IMF, including on the budget deficit.

George Soros, the billionaire investor, urged the IMF to release new funds for Brazil as soon as possible. "Brazil is in a very acute situation because on Friday the beginning of a run on the banks," he said. "Interposing a wall of money would stabilise the situation."

Speaking at the World Economic Forum in Davos, he said the Brazilian currency was now undervalued and investing in Brazil was much less risky than putting money into Russia. "The case of Brazil is very different from Russia," he said.

The Brazilian government continued to deny that it was planning any drastic measures to stabilise the situation. "There is no possibility that the government will undertake violence against people's savings," said Pedro Malan, finance minister. Rumours about a freezing of bank accounts prompted some people to close their accounts on Friday.

## Republicans' tax-cut plan inspires Clinton

By Deborah McGregor in Washington

President Bill Clinton is hoping to steal some tax-cut thunder from Republicans with his proposal to subsidise new individual retirement accounts to supplement social security benefits.

It is an idea that Republicans have carefully avoided criticising ever since Mr Clinton first mentioned it in his State of the Union speech a few weeks ago. There is a good reason for their reticence: they invented the idea and have several competing versions of it among their own tax-cut proposals.

In his budget yesterday Mr Clinton said he wanted to devote just over 10 per cent - about \$500bn - of projected federal surpluses to encouraging people to set up the new accounts, dubbed "universal savings accounts".

The accounts would create a special savings vehicle,

separate from social security, that would give people an additional source of income when they retired. The federal government would make an annual lump-sum contribution to the accounts, as well as matching workers' own contributions.

The matching dollars would be decided on a scale reflecting income, so those with lower incomes would get bigger subsidies.

From Mr Clinton's perspective, the idea possesses the beauty of allowing him to blunt Republican claims that he is opposed to returning any of the budget surplus to the people in the form of tax cuts.

While the plan is not technically a tax cut, his aides say it is one way of achieving the same result. And it is a way to entice people to save in a country with a historically low personal savings rate.

The new accounts would resemble the popular 401(k)

plans that many corporations offer their employees. Workers would be able to choose among several investment alternatives, including stock and bond funds.

Two Republicans who share Mr Clinton's enthusiasm for the idea, although they have been careful not to put it that way, are John Kasich, House budget committee chairman and expected presidential contender in 2000, and William Roth, the chairman of the tax-writing Senate finance committee.

Mr Clinton's proposal is not technically part of his overall plan for restoring the troubled social security programme, which calls for 62 per cent of projected federal surpluses over the next 15 years to go toward shoring up the fund.

The new individual retirement accounts would enable workers to build up retirement funds while lawmakers try to reach agreement on the social security overhaul.

By Richard Wolf in Washington

While his focus remained fixed on boosting social security, President Bill Clinton yesterday highlighted the need to meet the rapidly rising medical costs of the ageing baby boomer generation.

Medicare, the \$217bn scheme for healthcare of the elderly and disabled, will be the second largest beneficiary of the government surplus after social security, taking \$86bn over the next 15 years.

Mr Clinton said the additional funding would maintain the programme, which is expected to run out of cash in 2008, for a further 12 years. He said: "We can save it for another decade if we use one out of every six dollars of the surplus for the next 15 years to guarantee the soundness of Medicare. This budget makes a down payment on that goal."

According to the detailed budget statements, the num-

ber of elderly people claiming Medicare will grow slowly until 2010, when it will "explode" as the baby boom generation begins to reach age 65.

After 2010, the average annual growth in Medicare will double as the number of people enrolled reaches 61.3m, compared to 37.6m four years ago.

The president also proposed to improve access to health insurance for people approaching retirement, aged over 62 years. The budget revives Democratic senators' plans to extend Medicare to allow 300,000 people to buy into the fund. It includes further plans to guarantee retired people over the age of 55 the right to buy into company-sponsored health plans.

In other healthcare provisions, Mr Clinton proposes offering families a tax credit worth \$1,000 a year to help meet the cost of long-term healthcare for elderly or disabled relatives. About 2m

people would benefit from the new plan, costing the government \$5.5bn.

The president also proposed offering Medicare patients more opportunities to take part in clinical trials for new cancer treatments.

Elsewhere in the 2000 budget, the president highlighted education as a target for new funds, with the broad aim of raising school standards and providing financial rewards to "the highest-performing schools that serve low-income students".

Mr Clinton said state governments would gain new funds to help them identify and turn around their worst-performing schools.

Overall education spending will rise from \$28.5bn to \$31.5bn in 2000, including a second year of funding for his plan to add 100,000 new teachers to US classrooms by 2005. Mr Clinton revived plans for a \$22bn package of school construction and modernisation bonds.

## Baby boomer health costs highlighted

## Debt servicing fears mount

By Arkady Ostrovsky and Edward Luce in London

Market concern is growing over Brazil's continuing ability to service its dollar-denominated and internal debt, given the weakness of the Real. However, economists say, parallels between Brazil and Russia - the only large emerging market to default on its domestic obligations - are at best weak.

Although Brazil accounts for almost a third of all emerging market foreign currency bonds, the country has managed to extend the average maturity of its liabilities to about seven years. This is in contrast to Mexico in 1995 (less than one year) and Russia at the moment.

This year Brazil has to pay \$6.7bn to service its dollar-denominated debt. With foreign currency reserves of about \$36bn this is more than manageable, analysts

say. In addition, Brazil's total external (including corporate) and public internal debt accounts for about 60 per cent of gross domestic product, well below that of Italy and Belgium.

But the total cost of servicing Brazil's domestic and external debt is above 8 per cent of GDP and, given Brazil's growing interest rates, this cost is likely to go up. According to Richard Gray of Bank of America, each percentage point rise in interest rates adds \$23bn (US\$1.5bn) a year to the cost of servicing the debt.

"The main concern is that high interest rates in Brazil (currently 38 per cent) make the domestic debt burden unsustainable," said Alicia Duran of Merrill Lynch in New York. "With the Real being the anchor for the entire economic programme, the key factor is domestic investor confidence."

## Boost for defence spending

By Stephen Fidler in Washington

The administration yesterday announced detailed plans for boosting defence spending until 2005 - but some critics said the rises seemed designed to disarm Republican critics rather than deal with the challenges likely to confront the US in the next century.

"I am proposing a long-term sustained increase in defence spending to enhance the military's ability to respond to crises, build for the future through weapons modernisation programmes, and take care of military personnel and their families by enhancing the quality of life, thereby increasing retention and recruitment," the president said in his budget message to Congress.

William Cohen, defence secretary, said the proposed increases would meet the most pressing requirements of senior military leaders. He said the budget was meant to address "warning signs of potential problems. Recruiting and retention [of personnel] are increasingly diffi-

cult, readiness harder to maintain, and weapons modernisation tougher to fund significantly."

The budget includes \$63bn for procuring new weapons in fiscal 2000, and is projected to reach \$82bn in 2001, surpassing the \$60bn goal set by the administration.

The procurement budget was expected to rise to \$69.2bn in 2004 and \$75.1bn

in 2006, according to figures released yesterday. For 2000, the \$12.5bn proposed spending rise includes just \$4.1bn of new money, the rest being accounted for by cost savings and other budgetary adjustments. Over the six years to 2005, however, \$94bn of the proposed \$113bn increase would be new money. The requested budget authority grows from \$262.6bn this year, to \$267.2bn in 2000 and \$318.9bn in 2005.

There were few unex-

pected changes in programme procurement. John Isaacs, president of Council for a Livable World, a non-profit group favouring lower military spending, said the budget included provisions to buy 30 more Lockheed-Martin F-16 combat aircraft in the next four years, and more Boeing C-17 airlift aircraft.

However, big programmes

that this is a way of neutralising the Republicans in the next presidential campaign. He said billions of dollars would be spent on buying advanced systems for which there would be no likely opponent.

He said Mr Cohen had raised expectations when he went to the Defence Department in 1997 that he would embark on a campaign to start a revolution in defence business affairs, but little evidence of it had emerged.

Susan Hansen, a spokeswoman for the Pentagon, said the budget had recognised emerging threats - such as chemical and biological weapons. Mr Cohen had also previously increased proposed spending on ballistic missile defence. "We also have to realise that the Defence Department has an overwhelming advantage against any potential adversary. We like that and we want to keep that."

Republican critics of the administration have argued that the military was being "hollowed out" by successive real cuts in defence spending.

Patrick Cronin, research director of the US Institute of Peace in Washington, said: "You are left thinking

that this is a way of neutralising the Republicans in the next presidential campaign. He said billions of dollars would be spent on buying advanced systems for which there would be no likely opponent.

He said Mr Cohen had raised expectations when he went to the Defence Department in 1997 that he would embark on a campaign to start a revolution in defence business affairs, but little evidence of it had emerged.

Susan Hansen, a spokeswoman for the Pentagon, said the budget had recognised emerging threats - such as chemical and biological weapons. Mr Cohen had also previously increased proposed spending on ballistic missile defence. "We also have to realise that the Defence Department has an overwhelming advantage against any potential adversary. We like that and we want to keep that."

Republican critics of the administration have argued that the military was being "hollowed out" by successive real cuts in defence spending.

Patrick Cronin, research director of the US Institute of Peace in Washington, said: "You are left thinking

## Lewinsky testifies on Clinton

By Mark Suzman in Washington

Republican prosecutors and White House lawyers yesterday questioned Monica Lewinsky under oath for several hours at a Washington hotel to establish whether she had any new information about her affair with President Bill Clinton that could affect his impeachment trial.

Ed Bryant, a Tennessee congressman who is one of

the 13 House trial managers, opened the videotaped questioning as he sought to clarify several points relating to the charges that Mr Clinton committed perjury and obstructed justice in covering up the affair.

He was due to be followed by Nicole Seligman, one of the president's personal lawyers. A senator from each party was present throughout.

Ms Lewinsky is the first of

three witnesses to be deposed, before the Senate decides whether any live testimony is needed in the trial or whether it should move on to closing arguments and a final vote on the charges next week. Vernon Jordan, a Washington lawyer and close friend of the president's, will be questioned today and Sidney Blumenthal, a top White House aide will follow tomorrow.

All of the witnesses have already provided extensive testimony to Kenneth Starr, the independent counsel. Yesterday's deposition came amid a growing uproar over reports that Mr Starr is considering trying to indict Mr Clinton even if the Senate acquits him. The White House reacted angrily to the revelation and said it would file a formal complaint in federal court about continued press leaks from Mr Starr's office.

## INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (ECU). The ECU exchange rate shows the number of national currency units per ECU. The nominal effective exchange rate is an index with 1990=100.

UNITED STATES					JAPAN					GERMANY					
Exports	Imports	Current account	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account	ECU exchange rate	Effective exchange rate	
1997	220.2	-131.8	-145.6	1.1541	107.8	194.7	83.7	72.8	108.58	104.7	254.4	56.8	40.6	2.0710	87.3
1998	272.1	-102.2	-106.2	1.1833	100.5	218.7	78.8	67.8	151.51	115.9	272.6	51.4	42.4	2.0739	90.6
1999	300.2	-98.3	-94.6	1.1017	104.5	245.5	70.8	60.1	151.87	110.8	310.1	65.1	51.5	2.0681	85.9
2000	309.0	-73.2	-72.7	1.0740	107.0	220.0	50.0	36.2	183.94	98.9	324.6	51.8	36.4	2.0537	100.0
2001	340.5	-53.5	-4.8	1.2301	101.0	248.4	77.7	59.2	184.44	108.4	327.6	51.1	34.4	2.0480	82.2
2002	345.9	-82.2	-9.5	1.2957	96.5	256.6	96.2	83.5	164.05	113.6	330.9	16.8	14.8	2.0167	102.1
2003	397.3	-89.7	-7.3	1.1705	99.2	300.3	118.6	110.8	130.31	136.5	325.2	40.4	12.0	1.9337	108.1
2004	432.3	-127.0	-7.0	1.1857	102.1	325.0	121.3	110.0	120.89	147.0	380.2	37.2	17.1	1.9186	108.4
2005	452.3	-122.8	-6.7	1.2928	91.8	331.1	102.8	87.7	121.43	154.4	405.0	46.0	17.5	1.8509	111.9
2006	490.0	-135.9	-10.7	1.2256	96.6	320.1	87.4	53.9	136.24	134.0	418.6	52.1	11.0	1.8844	108.9
2007	508.4	-100.5	-15.7	1.1309	104.4	301.5	69.1	65.3	136.84	126.1	454.3	58.4	14.5	1.8584	103.9
4th qtr:1997	157.0	-41.5	-40.0	1.1245	108.4	98.8	25.1	25.1	140.91	122.2	118.9	15.6	2.8	1.9740	103.3
1st qtr:1998	150.8	-47.9	-50.0	1.0874	106.1	98.2	24.7	25.5	138.32	121.2	118.4	15.6	3.7	1.9777	102.7
2nd qtr:1998	151.6	-55.5	-51.4	1.1020	110.8	93.2	26.2	24.3	143.38	114.3	121.9	18.3	3.5	1.9756	103.7
3rd qtr:1998	149.0	-53.2	-4.7	1.1196	112.6	91.5	26.8	20.1	156.84	105.5	120.3	17.8	3.4	1.9716	104.7
January 1999	53.8	-14.8	n.a.	1.0873	109.6	30.4	8.2	7.8	140.80	120.0	40.2	4.2	-7.0	1.9740	103.9
February	52.5	-15.7	n.a.	1.0882	108.4	29.8	10.5	11.2	137.00	123.4	39.9	5.9	-0.4	1.9746	102.7
March	53.1	-17.6	n.a.	1.0871	109.1	30.1	10.5	7.8	140.80	120.0	40.2	4.2	0.4	1.9746	102.7
April	51.2	-18.8	n.a.	1.0937	109.7	27.9	8.0	5.1	144.28	111.6	38.8	7.1	0.7	1.9835	103.0
May	50.0	-18.4	n.a.	1.1102	110.2	27.9	10.5	8.8	148.80	114.5	38.7	7.1	0.6	1.9897	104.1
June	50.5	-17.5	n.a.	1.1022	112.5	27.9	8.7	8.3	154.05	107.5	38.8	5.2	1.8	1.9874	104.1
July	49.8	-17.9	n.a.	1.0998	113.0	27.9	8.8	8.5	154.05	107.5	38.8	5.2	1.8	1.9874	104.1
August	50.0	-18.8	n.a.	1.1028	114.8	28.8	8.9	8.8	159.70	110.6	39.3	5.2	-3.2	1.9724	104.7
September	49.2	-18.7	n.a.	1.1589	109.9	27.0	8.1	10.8	155.56	113.4	38.8	6.2	1.0	1.9898	105.4
October	49.5	-15.3	n.a.	1.1591	109.9	27.4	10.0	10.1	143.38	124.7	38.8	6.2	1.0	1.9898	105.4
November	50.0	-18.9	n.a.	1.1609	106.3	28.4	8.3	9.2	140.66	126.3	38.8	6.2	1.0	1.9898	105.4
December	50.0	-18.9	n.a.	1.1762	105.2	28.4	8.3	9.2	137.66	126.7	38.8	6.2	1.0	1.9898	105.4
FRANCE					ITALY					UNITED KINGDOM					
Exports	Imports	Current account	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account	ECU exchange rate	Effective exchange rate	
1997	128.3	-4.6	-3.7	0.9206	98.9	101.0	-7.7	-1.4	104.3	100.8	112.3	-16.4	-6.8	0.7047	98.4
1998	141.8	-4.7	-3.4	0.7054	95.5	106.3	-8.9	-4.4	135.8	98.5	120.8	-3.8	-2.8	0.7047	98.4
1999	162.9	-6.2	-3.6	0.7016	96.0	127.8	-11.3	-10.7	150.82	98.5	130.7	-36.7	-33.3	0.6729	102.3
2000	171.0	-7.2	-7.2	0.6303	100.0	133.5	-9.3	-12.8	139.32	100.0	142.3	-38.5	-28.2	0.7150	100.7
2001	173.4	-4.2	-4.8	0.6943	103.5	137.0	-10.8	-12.9	139.32	100.0	142.3	-38.5	-28.2	0.7150	100.7
2002	182.6	-4.5	2.8	0.8420	101.5	137.9	-8.0	-22.6	159.15	95.6	145.9	-17.8	13.8	0.7359	100.7
2003	179.8	13.3	8.0	0.6281	105.5	144.9	18.1	8.7	138.87	90.4	156.0	-17.3	13.2	0.7370	100.7
2004	198.6	10.6	10.5	0.5959	115.1	161.4	18.9	11.4	141.19	98.6	167.7	-14.7	-11.1	0.6813	103.0
2005	219.7	10.4	6.4	0.4408	108.2	181.1	21.6	20.7	210.64	69.3	186.9	-14.1	-2.1	0.7370	88.2
2006	250.2	13.3	16.4	0.6088	108.1	201.3	35.0	32.8	162.21	75.7	205.0	-15.8	-2.3	0.8026	88.2
2007	265.5	13.3	15.8	0.5928	105.8	208.2	32.7	30.2	192.40	78.3	248.4	-18.9	0.5	0.6906	105.0
4th qtr:1997	67.3	7.0	10.2	0.9164	105.6	55.9	6.5	6.4	103.48	78.1	63.5	-3.9	0.8	0.6772	103.0
1st qtr:1998	67.5	8.2	7.8	0.6273	105.0	59.4	3.2	8.4	104.6	75.8	63.5	-3.9	0.8	0.6772	103.0
2nd qtr:1998	68.0	8.3	9.5	0.9206	105.7	58.3	6.8	9.9	148.67	75.7	61.7	-4.1	2.0	0.6675	104.4
3rd qtr:1998	65.0	7.0	7.0	1.0102	105.5	52.2	6.8	9.9	148.68	78.3	60.1	-7.7	3.4	0.6774	105.4
January 1999	22.5	2.3	2.6	0.9132	106.2	14.4	0.0	-2.1	143.73	75.4	20.5	-1.4	n.a.	0.6548	104.6
February	22.6	0.9	1.6	0.7189	105.0	17.1	0.4	7.0	148.67	75.2	21.1	-2.0	n.a.	0.6836	104.6
March	22.4	1.9	1.6	0.6143	104.8	20.4	2.2	3.0	153.73	75.4	22.0	-1.1	-0.9	0.6836	104.6
April	22.8	2.1	3.4	0.6426	105.1	18.9	1.5	0.8	156.77	75.4	20.0	-2.0	n.a.	0.6836	107.1
May	22.5	1.8	4.4	0.6371	108.1	18.7	2.9	2.7	149.65	75.4	20.0	-2.0	n.a.	0.6870	104.6
June	22.8	2.1	1.7	0.8229	105.5	19.8	2.6	0.8	148.62	78.0	20.0	-2.0	n.a.	0.6870	104.6
July	22.8	2.1	4.2	0.6549	106.0	21.8	5.4	-1.4	148.61	76.0	20.0	-2.0	n.a.	0.6870	104.6
August	22.4	2.0	2.4	0.6125	104.4	12.2	0.7	1.7	148.60	78.0	20.0	-2.0	n.a.	0.6870	104.6
September	22.4	3.2	2.0	0.5949	107.6	17.8	0.7	1.7	143.92	76.6	20.0	-2.0	n.a.	0.6870	104.6
October	22.4	3.2	2.0	0.5949	107.6	17.8	0.7	1.7	143.92	76.6	20.0	-2.0	n.a.	0.6870	104.6
November	22.4	3.2	2.0	0.5949	107.6	17.8	0.7	1.7	143.92	76.6	20.0	-2.0	n.a.	0.6870	104.6
December	22.4	3.2	2.0	0.5949	107.6	17.8	0.7	1.7	143.92	76.6	20.0	-2.0	n.a.	0.6870	104.6



# Real's slide halted as panic abates

**By David Shipley in New York**

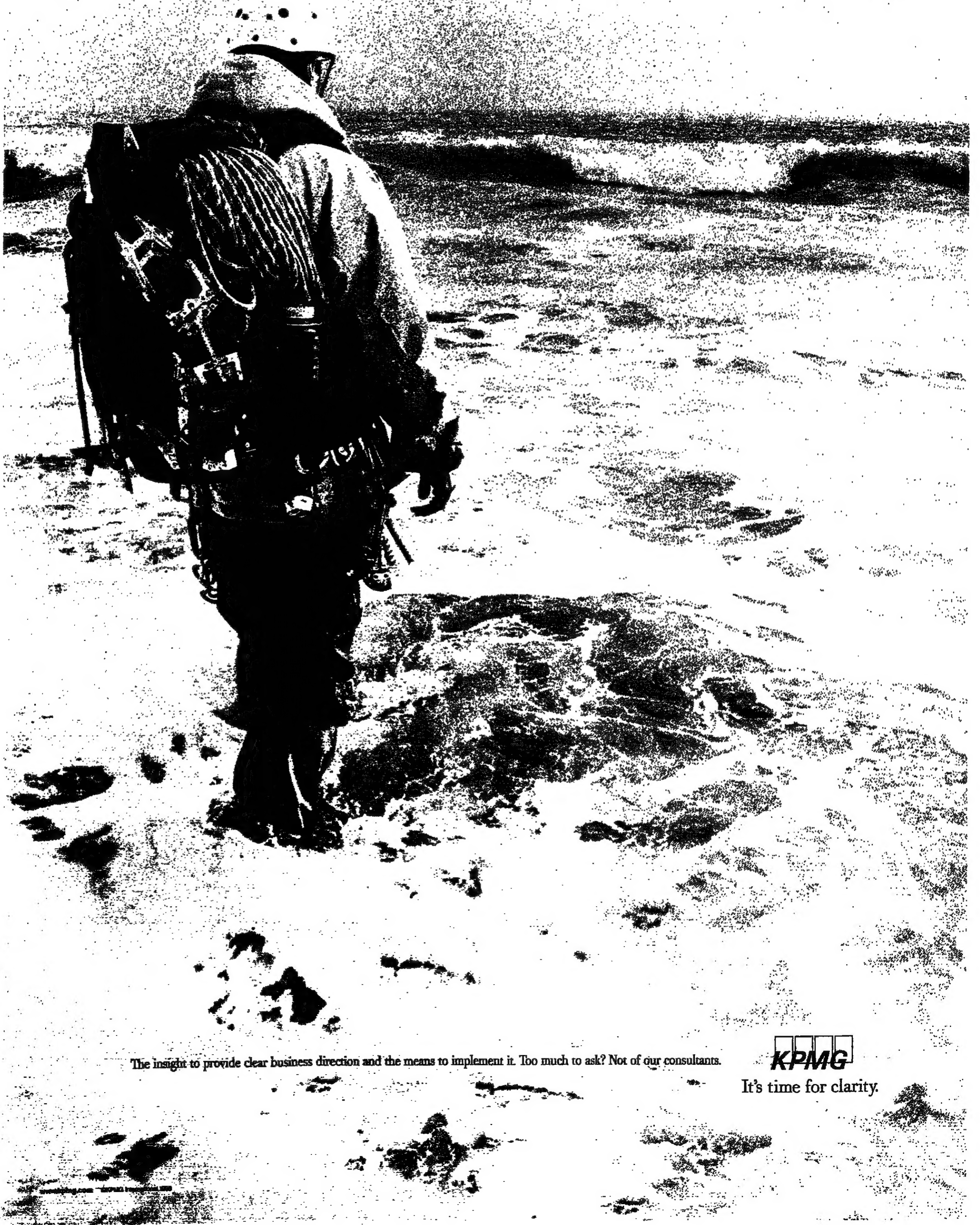
Real Estate's dramatic recovery from its 1990-91 slump is now being questioned by some analysts. The industry's recovery is seen as a result of a combination of factors, including a decline in interest rates and a resurgence in demand for office space. However, some analysts warn that the recovery may be temporary and that the industry could face a second downturn if economic conditions worsen.

# Debt servicing fears mount

**By David Shipley in New York**

The financial industry is facing a new wave of debt servicing fears. As the economy slows down, companies are struggling to meet their debt obligations, leading to a rise in defaults. This has caused concern among lenders and investors, who are worried about the stability of the financial system. Analysts predict that the situation could worsen if the economic downturn continues.

Giving your business the means to get where it needs to go doesn't amount to much if you're heading in the wrong direction in the first place.



The insight to provide clear business direction and the means to implement it. Too much to ask? Not of our consultants.

**KPMG**

It's time for clarity.



## BRITAIN

CONFLICTS OF INTEREST ADVICE PROMPTED BY COURT DECISION IN DISPUTE BETWEEN BRUNEI PRINCE AND KPMG

## Firms are urged to review their 'Chinese walls'

By Jim Kelly in London

Lawyers are advising financial organisations to review how they build and maintain "Chinese walls" following a landmark judgment on managing conflicts of interest from the House of Lords, the unelected upper house of parliament, acting as the highest appeal court.

The law lords' decision in the case of Prince Jefri of Brunei versus KPMG has also prompted suggestions that sector-wide codes of best practice should be developed for "Chinese walls" to protect those using them against court action.

"Banks and other financial institutions may wish to review their policies with regard to conflicts and 'Chinese walls' as a consequence of the decision," said lawyers at Lovell White Durrant, which represented Prince Jefri.

Lawyers are also suggesting that the judgment - in which KPMG was prevented from acting for the Brunei authorities against Prince Jefri, their former client - has far-reaching specific consequences for lawyers and accountants.

While the firm said it was unlikely the courts would enforce the full impact of the judgment, it added: "Professionals would do well to consider whether there are additional steps they can now take with a view to avoiding challenge to the 'Chinese walls' they routinely erect in non-litigious practice areas."

The 16-page law lords' judgment is still being studied by lawyers - particularly at the Big Five accountancy firms - and there is agreement that while its technical impact may be restricted it has raised much wider concerns over the use of "Chinese walls".

"Accountancy firms and their clients need to take the question of conflicts of interests and inadvertent leakage of confidential information more seriously," Robson Rhodes, the accountants, said in a newsletter.

## Alleged IRA sniper faces 37 terrorism charges

By John Murray Brown in Dublin

A man alleged to be an Irish Republican Army border sniper went on trial for murder in Northern Ireland yesterday, with the prosecution taking more than half an hour to read out the charges.

Bernard Michael McGinn, 41, from Castleblaney in county Monaghan in the Irish Republic, is accused of murdering Lance Bombardier Stephen Restorick, a British soldier shot dead at a security checkpoint in Northern Ireland in 1997. He was the last British soldier in the region to be killed by terrorists.

Mr McGinn is charged with 37 separate terrorist offences, including the murder of two other soldiers some years earlier. John Creaney, the prosecuting lawyer, told the court how Mr McGinn and three other men, all from Northern Ireland, were arrested after a 16-strong British army unit swooped on a remote farm near the Irish border.

All four put up a "considerable struggle" as soldiers tried to put them into forensic body covers before being taken for questioning, the court heard. A fifth man was accused of providing the hideout used in the alleged conspiracy. The five deny all charges.

The soldiers found a Mazda car containing an elaborate mobile firing platform. A cavity had been created in the back of the car in which a gunman could crouch and fire. Inside were found a high velocity Barrett sniper rifle, an AK 47 assault rifle and ammunition.

Mr McGinn smiled and laughed at one point as the prosecution read out the charges, which included explosives offences and membership of the IRA. Mr Creaney said such evidence clearly showed that the men were intent on using the weapons to kill.

## Thatcher's heirs seek youth and new radicalism

William Hague's push to create a compassionate Conservative party has backfired and he still needs new ideas. Deborah Hargreaves reports

Many politicians have tried to define what it is to be British. For John Major, the former Conservative prime minister, it was warm beer and cricket on the village green. For Tony Blair, the Labour prime minister, it is "Cool Britannia" with its fashion designers and rock musicians.

William Hague, Mr Major's successor as Conservative leader and the party's youngest leader this century, last month painted his picture of Britain as "multi-ethnic, brassy, self-confident and international". In a speech to a right-wing think-tank, Mr Hague sought to portray the Conservatives as a modern party of the future.

But Mr Hague's definition has been widely lampooned. His effort to capture the public's imagination for a more

compassionate Conservative party - echoing George W. Bush, the favourite to win the US Republican presidential nomination - backfired.

It is the latest miscalculation by the inexperienced Mr Hague, whose efforts to relaunch the party after its disastrous election defeat have met with little success.

A fervent Conservative since his school days, the 38-year-old Mr Hague's sole experience of cabinet office has been as chief minister for Wales in the Major government.

The Conservatives were swept from power in 1997 by a landslide Labour victory after 18 years in power. The party was left with just 165 House of Commons seats compared with Labour's 418.

Traditional Conservative voters deserted the party in crowds and Mr Hague has

spent the past 18 months trying to lure them back.

But an opinion poll last week showed that support was still falling - just 24 per cent of people said they would vote Conservative, the lowest rating in 18 months.

Labour's approval rating rose two points to 56 per cent - its highest since late 1997.

Mr Hague's advisers admitted recently that the party that spawned the Thatcher revolution and exported the privatisation of public utilities had run out of ideas.

Almost half way through the current parliament, Mr Hague has given little indication of the platform on which the party hopes to fight the next national election. He is now backing the creation of a new think-tank to generate radical policy ideas.

But he must be wary of taking the party too far to the right. Some senior Conservatives are already

unhappy about Mr Hague's uncompromising stance on the euro - ruling out UK membership for the life of the next parliament.

Two of the party's European parliament members left last month to form a breakaway pro-European party. One of them said in a letter to Mr Hague that opposition to British membership of the single currency was not in the national interest.

Adding to his woes, Mr Hague is embroiled in a dispute with members of his shadow cabinet.

A senior party member urged Mr Hague last week to fire shadow ministers who had been members of the Major government because voters associate them with failure. "Every time they go on television, they are costing us votes," one Conservative said of John Redwood, industry spokesman.

Mr Redwood is an arch Eurosceptic who unsuccessfully challenged Mr Major for the party leadership in 1995. The

comment was also aimed at Michael Howard, shadow foreign secretary. Mr Hague was forced to issue reassurances that he was not planning a cull.

The Conservative party appears to have a peculiar propensity for undermining its leader.

Several recent occasions that should have seen Mr Hague taking the government to task over policy errors have been dominated by arguments within his party.

His efforts to reform the House of Lords were undermined when he discovered that Lord Cranborne, leader of the Conservative members in the House of Lords, had already done a deal with Mr Blair.

Mr Hague, a member of the party since he was a teenager, desperately needs to attract younger members. But he has to take control of his colleagues before directing his energies towards recruitment.



Allegations of snooze returned to haunt the Conservatives at the weekend with the sudden admission by Tom Spencer, a member of the European parliament, that Customs officers at Heathrow airport had found him in possession of cannabis and homosexual pornography. Mr Spencer's wife Liz is standing by him, but he will not run for his English district again

## Scots nationalists set out tough rules for landowners

By James Buxton in Edinburgh

An administration led by the Scottish National party would require estate owners in Scotland to make legally enforceable contracts with local residents, the party announced yesterday. The contracts would state owners' responsibilities and rights.

The SNP would also create land councils in rural areas on which community and landowners would sit. "Community contracts and local land councils will ensure communities have a tighter hold over the land they live on," Roseanna Cunningham, the party's land spokeswoman, said yesterday.

Her comments came in evidence to the Scottish Grand Committee of all Scottish MPs. She said her party would legislate to control bad landowners while the Labour party would only use

powers of encouragement. Labour proposes giving community groups the right to buy estates that come up for sale at a price set by a government-appointed valuer - even if this was less than that offered by another buyer. In extreme cases the government would be able to

compulsorily purchase badly run properties. It would normally rely on landowners obeying a voluntary code of conduct. The SNP's community contracts would regulate public access, public consultation over development and govern the use of an estate made of public funds.

Donald Dewar, chief minister for Scotland in the UK government, said the SNP's proposals would produce "a massive bureaucracy of no real value to anybody at all". Andrew Dingwall-Fordyce, convener of the Scottish Landowners Federation, said the SNP's proposals would

drive down land prices, jeopardise employment and threaten the already fragile rural economy. "Locality land councils appear to offer the awful prospect of compromising the work of good land managers and acting as a disincentive to investment," he said.

## APPLY HERE FOR BETTER BUSINESS TRAVEL

Business travel is the third biggest expense for most UK companies. Business Travel 99 is the event dedicated to making sure that your organisation gets the right service at the best price.

Featuring the world's top travel suppliers, the exhibition is your company's opportunity to buy business travel better.

So don't miss out, simply call the ticket hotline for complimentary tickets and ensure that whoever arranges your travel makes a trip to Business Travel 99.

**Ticket Hotline 0181 710 2185**

**Business Travel 99**

9-11 FEBRUARY 1999  
THE BUSINESS DESIGN CENTRE LONDON

SPONSORED BY  
**FINANCIAL TIMES**  
No FT, no comment.

FT		FINANCIAL TIMES Conferences	
<p><b>NEW MEDIA AND BROADCASTING</b></p> <p>The 17th Annual FT World New Media and Broadcasting Conference</p> <p>3 &amp; 4 March 1999, London</p> <p>The 17th Annual FT World New Media and Broadcasting Conference will discuss the continuing development of the digital market from both a European and US perspective, six months after the launch of the UK satellite and terrestrial digital platforms. Select heads of industry will discuss post-launch experiences; market opportunities for new entrants; the impact of competition on the existing networks; new technologies; regulation gatekeepers and convergence; finance; and interactive services amongst other topics.</p>			
<p><b>DISTINGUISHED SPEAKERS INCLUDE</b></p> <p>Mr Ian West Managing Director Sky Entertainment</p> <p>Mr Tony Blakey Chief Executive Telewest Communications plc</p> <p>Mr Romaine Banach Director General Chairman of the Management Committee Société des Entreprises des Satellites</p> <p>Mr Miles Flint President Sony Broadcast &amp; Professional Europe</p> <p>Mr Martin Baugemann Member of the European Commission</p> <p>Mr Peter Rogers Chief Executive Independent Television Cymru</p>			
<p>FT New Media and Broadcasting Conference 3 &amp; 4 March 1999, Hotel Inter-Continental, London</p> <p>Registration Fee: £150 (plus £100 for lunch and evening reception)</p> <p>Please send me conference details</p> <p>Please reserve one place at the rate of £150 (plus £100 for lunch and evening reception) per person. Please note that no refund will be given for cancellations made after the registration fee has been paid.</p> <p>Please charge my AMEX/Discover/Visa/MasterCard with £</p> <p>Card Number: _____</p> <p>Expiry Date: _____</p> <p>I confirm that I have read and agree to the conditions of cancellation printed below</p> <p>Signature: _____ Date: _____</p> <p>Don't forget: The information you provide will be held on our database and may be used to keep you informed of our, and our associated companies', products, and for related third party marketing.</p> <p>To register NOW fax this form to us on: +44 (0)171 873 3067 or visit: <a href="http://www.ftconferences.com">www.ftconferences.com</a> FT Conferences, Number One Southwark Bridge, London SE1 9HL, UK. Tel: +44 (0)171 873 3000</p>			



الشرق الأوسط

FINANCIAL TIMES TUESDAY FEBRUARY 2 1999 ★

11

# High Tech High Fashion



## Hi Wall Street

**See the Victoria's Secret Fashion Show LIVE online.**

This Wednesday, tickers will be racing after the markets close. The Victoria's Secret Fashion Show will be broadcast LIVE, online, for the first time ever. Stephanie, Tyra, Laetitia, Karen, Daniela, Heidi, and twenty more of the most beautiful women in the world hit the runway on February 3, at 7 pm, EST. So get to [www.VictoriasSecret.com](http://www.VictoriasSecret.com). It's proof positive that you can turn more than profits on the internet.

**VICTORIA'S SECRET**

A division of Intimate Brands, Inc. / NYSE: IBI



## BRITAIN

THROUGHPUT AT HEATHROW COURT IS WARNED OF US-STYLE SCRAMBLE AND BREACHES OF EUROPEAN UNION LAW

## Slot trades by airlines are challenged

By John Mason,  
Law Courts Correspondent

The trade between airlines in take-off and landing slots at London's Heathrow airport breaches European Union law and could lead to a US-style free-for-all in which big carriers will dominate the market, the High Court in London was told yesterday.

The claim was made by lawyers acting for the Guernsey Transport Board, which is mounting the first legal challenge to the common, but legally disputed, practice of airlines selling slots to each other.

The High Court proceedings, which could lead to a

protracted legal case before the European Court, are being closely watched by the aviation industry. The practice of selling slots is of vital commercial importance to the industry but its legality has yet to be established.

Michael Beloff, a lawyer for the Guernsey board, said the practice of airlines buying and selling slots to each other breached EU law intended to regulate the aviation industry. EU law was explicitly intended to ensure an orderly distribution of slots and avoid a free-market solution that would lead to the most powerful players dominating the aviation industry, he said.

The dispute has arisen

Fracas 'was old-fashioned Irish sing-song and not air rage'

Twelve airline passengers ejected from a London-Jamaica flight diverted to the US said yesterday that what cabin staff interpreted as a fight was an "old fashioned Irish sing-song" disrupted by another passenger hurling a drink. The 12 were left at

Norfolk, Virginia, after the pilot diverted the Airtours flight. Miles Connor, from south London, one of the 12, said: "No punches were thrown, just a few words were exchanged - but they threw all 12 of us off, there were no blows, nothing. The biggest injustice is that the

other man, who threw the drink, was allowed to carry on on the flight." Airtours said it planned to act against the 12 under air navigation law and they might have to meet the cost of the diversion. They would also have to pay to return to London.

or where a takeover was involved. However, the law did not allow for trading in slots which the seller had no prospect of using. European transport commissioner Neil Kinnock had made plain last year at a Financial Times aviation conference that slots could not be bought and sold, Mr Beloff said.

Mr Beloff said Airport Co-ordination, the company that allocated Heathrow slots, had acted wrongly over the transfer of slots from KLM UK to BA. It had been wrong to say that it was not its business what happened to the slots after they had been issued.

The hearing is expected to end tomorrow.

## Blair steps into storm over England soccer manager

Tony Blair, the prime minister, yesterday stepped into the storm over Glenn Hoddle, the England soccer team's manager, Jimmy Burns writes. Mr Hoddle was under fire for reportedly telling The Times newspaper: "You and I have been physically given two hands and two legs and a

half-decent brain... some people have not been born like that for a reason. The karma is working from another lifetime." Mr Blair called the comments "very offensive" and suggested he might have to resign. Mr Hoddle's fate could be sealed today at his meeting with senior officials of the

Football Association. The Nationwide building society, English soccer's biggest sponsor, disassociated itself from Mr Hoddle's reported remarks. "Glenn Hoddle... has a responsibility to ensure that his personal views shouldn't be confused with those of the England team, the

Football Association or its sponsors," it said yesterday. Nationwide insisted last night that its new £15m (\$24.5m) sponsorship deal with the FA was not in jeopardy. The first match of Nationwide's sponsorship package is set for February 10 when England play world champions France.

Dennis Roach, Mr Hoddle's agent, said his client had "denied categorically that he ever said anything about disabled people being punished". He added that Mr Hoddle intended to issue a writ for libel against The Times. Mr Hoddle yesterday refused to resign.



Glenn Hoddle: refused to resign

## NEWS DIGEST

## GOVERNMENT FINANCES

## Pay straitjacket loosened for public sector workers

The government yesterday loosened its straitjacket on public sector pay by awarding a 4.1 per cent average rise to 1.25m doctors, nurses, teachers, members of the armed forces and public officials. It said the salary recommendations of five independent pay review bodies would be implemented in full, without staging, for the first time in five years. But trade unions were expecting a more attractive settlement, following leaks of the most generous award - a 12 per cent increase in pay for newly qualified nurses.

Ministers found themselves in the embarrassing position of defending themselves against the apparently contradictory charges of being parsimonious and taking undue risks with inflation and the public finances.

The prime minister's spokesman said the Bank of England, the UK central bank, was unlikely to take a dim view of the pay award since it had written in its summer inflation report that "an inflation target of 2.5 per cent is consistent with average annual normal earnings growth of 4.5 per cent". Robert Peston, London

## THE ECONOMY

## Manufacturers recover slightly

The latest UK purchasing managers index yesterday revealed a slight recovery in output and new orders. But both remained well below the 50 "break even" level, implying activity is shrinking. Manufacturers also upped the pace of redundancies and sold off stocks, according to the index, while there was little sign of inflation as materials prices continued to fall. The data came as the monetary policy committee of the Bank of England, the UK central bank, prepares to meet for its latest decision on interest rates on Thursday. Most City analysts a cut from the current level of 6 per cent. In the UK, the index of prices paid fell to its lowest level in the survey's seven-year history. The Chartered Institute of Purchasing and Supply said the fall was caused by greater discounting by suppliers, domestically and overseas, with prices being driven lower by weaker global demand and an excess supply of many goods. Richard Adams, London

## PUBLIC-PRIVATE PROJECTS

## Ministers to issue guidance

The government is determined to drive forward the private finance initiative, but only as part of a wider partnership between the public sector and private capital. Alan Milburn, a senior Treasury minister, is to say today. The PFI was inherited from the previous government and aims to bring private funding to public projects. Mr Milburn will announce that the standard model clauses for PFI contracts should be published by the end of this month and that the government will produce its final guidance on the treatment of risk in PFI contracts by the end of March.

The risk guidance is aimed at settling the Treasury's dispute with the Accounting Standards Board over which projects should go on the government balance sheet and which should not. Mr Milburn believes that once the model clauses and guidance are published, procurement of PFI projects should be more swift and the bidding costs lower. He is the first cabinet minister to have direct responsibility for PFI deals. Nicholas Timmins and Simon Buckley, London

## BSE CRISIS

## 12 died from CJD in 1998

Twelve people died in the UK last year from the new variant of Creutzfeldt-Jakob disease linked to BSE, the Department of Health said yesterday. The death toll was 10 in 1997, 10 in 1998 and three in 1995. Scientists say it is still too early to predict even roughly how many people will succumb to disease as a result of eating contaminated beef in the 1990s because of the uncertainties about the transmission of BSE to humans. But specialists at St Mary's Hospital in London say at least five living patients have symptoms of the fatal brain disease. A new diagnostic test on their tonsils has shown clear signs of infectious nvCJD "prions". Clive Cookson, London

## MOTORCYCLES

## Grey market boosts sales

Plunging prices, thanks to cheap "grey" imports, and dissatisfaction with other commuting methods are driving the UK motorcycle market towards its best year since the early 1980s. The 150,000 sales for this year predicted by Kevin Kelly, director of the Motorcycle Retailers Association, represent a leap of one-quarter over 1998 and well over triple the sales of five years ago. Total sales increased by more than 31 per cent, year-on-year, in the first 20 days of January. Scooters have re-emerged as fashionable transport to an extent not seen since the 1970s. A new generation of stylish machines from European producers, led by Peugeot of France, are displacing Japanese makers from their traditional leadership. John Griffiths, London

## Procter fights back in soap war

By John Willman,  
Consumer Industries Editor

Procter & Gamble of the US is raising the stakes in the long soap war with the Anglo-Dutch conglomerate Unilever by launching its own version of the solid detergent tablets that have proved so successful for its arch-rival. The US group plans to launch Ariel Discs in Europe in April after a year's trial in two towns in northern England.

Lever Brothers, Unilever's detergent subsidiary, has seized 8.5 per cent of the UK market with Persil Tablets since launching the new product last May. One in six households has tried Tablets, which are added to the wash in a nylon mesh bag designed to ensure they fully dissolve.

The success has restored brand leadership for Persil, lost to Procter's Ariel after the 1994 Persil Power Flasco. Then Lever Brothers had to

withdraw a new formulation after its patented "accelerator" ingredient was found to weaken fabrics and leave colours faded.

Similar success has followed in other European countries, and last month Procter reported a fall in its detergent volumes in Europe - blaming "continued competitive pressures in laundry and cleaning, primarily related to laundry tablet initiatives".

Now it is ready to launch its counter-attack with Discs, which are placed in the detergent drawer of an automatic washing machine. Like conventional soap powders, rather than being added directly to the wash in the drum. The group said it had overtaken Unilever in automatic washing machine powders, concentrated powders and liquids - even though these had all been pioneered by Unilever.

"We hope history will repeat itself," it said.

Another Deloitte Consulting Difference

We know  
what's best.DELOITTE  
CONSULTING:  
We know what works.Confidence is one thing.  
Arrogance is something else altogether.At Deloitte Consulting, we never presume to have all the answers.  
Because we've learned over the years that certain insights  
can only come from inside our client's organisation.Which is why we work collaboratively with you.  
And treat everyone with respect. It's all part of a working style  
that has proven to secure employee buy-in to changes at hand.  
Which ensures the complete transfer of the additional knowledge  
and skills your people will use to deliver the promised returns  
of any new strategies and technologies.For results you can count on today.  
And build on tomorrow.

A very different approach. For very different results.

Deloitte & Touche Consulting  
Group

www.dtcg.com

© 1998 Deloitte &amp; Touche Consulting Group Ltd.



NEWS IN BRIEF

EUROPEAN FINANCES

Key straitjacket loosened for public sector workers

The government yesterday announced a new pay system for public sector workers, which will allow them to earn more than the private sector in some cases. The new system, which will be implemented in 2000, will allow public sector workers to earn up to 10 per cent more than the private sector in some cases. The government is expected to announce the details of the new system in the coming weeks.

US MARKET

US stock markets recovered slightly from a loss of momentum in the previous session. The Dow Jones Industrial Average rose 100 points to close at 8,100. The S&P 500 index rose 15 points to close at 1,150. The Nasdaq Composite index rose 20 points to close at 2,100. The markets were supported by a report that the Federal Reserve will keep interest rates unchanged.

EUROPEAN PROJECTS

EUROPE to issue guidance

The European Commission is expected to issue guidance on the implementation of the new EU directives on the treatment of minority shareholders. The guidance is expected to be issued in the coming weeks. The Commission is also expected to issue guidance on the implementation of the new EU directives on the treatment of minority shareholders.

UK CJD in 1998

The UK government has announced that it will fund research into the causes of Creutzfeldt-Jakob disease (CJD) in 1998. The research is expected to be funded by the Medical Research Council. The government is also expected to fund research into the causes of CJD in 1998.

Market boosts sales

The market has boosted sales of its products, which are expected to be sold in the coming weeks. The market is also expected to boost sales of its products, which are expected to be sold in the coming weeks.

Factor fights back in soap war

The factor has fought back in the soap war, which is expected to continue in the coming weeks. The factor is also expected to fight back in the soap war, which is expected to continue in the coming weeks.



To gear, to engage;  
to adapt something  
to a particular need  
or standard

Our strength has always been our ability to adapt to change. And often to anticipate it. We offer leading-edge financial products that reflect market changes while responding to our Clients' needs. Our expert staff, recruited from the top international banks, give us the experience to provide first-rate service to businesses looking to prosper in Italy. With these foundations, we'll make investment banking one of our strengths for the future.



MEDIOCREDITO  
CENTRALE

Rome - Milan - London - Brussels - Singapore - Sao Paulo

<http://www.mcc.it>



## MANAGEMENT &amp; TECHNOLOGY

## MANAGEMENT EUROPEANS IN CHINA

## Little Italy comes to China town

Truck-maker Iveco found it had to train Chinese workers to speak Italian and adopt European practices, says James Harding

"Signora, due caffè per favore," Camillo Donati calls from the comfortable leather sofa in his office overlooking Nanjing, China.

His secretary, Ms Wu, promptly brings in two small cups. Amid the rich aroma of Italian espresso, she passes on a couple of telephone messages in flawless Italian, then leaves her boss to talk about the importance of cultural cross-fertilisation for foreign businesses in China.

Mr Donati is the chief representative in China of Iveco, the truck-making subsidiary of Fiat and the largest Italian investor in the country. He has lived in the Jinling Hotel in Nanjing for the past 11 years and is the engineer of what is arguably the most ambitious training and cultural exchange programme undertaken by any European business in the People's Republic.

Dispensing espresso is therefore more than just the eccentricity of an Italian abroad. It is part of a pattern of Sino-Italian exchange that he considers essential to the success of Iveco in China.

"We have tried to give the Chinese the possibility to understand our industrial culture and the opportunity to live our social life," says Mr Donati. Iveco selected nearly 400 Chinese engineers and workers, trained them in Italian and transferred them to Italian factories in

the late 1980s. "We tried to eliminate the differences in style - how we live and how we speak."

Iveco, which is now the best-known name in light commercial vehicles in China, was one of the first to come to the country after it opened to the outside world in the late 1970s. Mr Donati came for the first time in 1983 to start discussions on a contract to license Iveco technologies.

"The Chinese wanted the technology. I said 'No', he recalls. "We will give you know-how." In 1986 Mr Donati arranged for 32 Italians to come to Nanjing to teach 370 local mechanics and other staff basic Italian.

Then they were all transferred to Iveco's various factories in Italy to gain on-site technical expertise in how the trucks and vans were assembled, as well as a sense of the corporate and national culture.

For Iveco, more than most international automotive groups, such a substantial language programme was a necessity. "At that time we had a problem in how to communicate," explains Mr Donati. "The Chinese didn't speak English and, in fact, the Italians too didn't speak such good English either."

There were loftier reasons for doing more than merely handing over the technical specifications on paper. "If you wanted to plant a tree in China, then you had to create the ground for it that we had in Italy," he explains.

Critically there was \$7m (\$4.3m) in Italian government aid for the technical training of Chinese people available to fund the exchange programme, as well as \$200m in soft loans and export loans to help the Chinese acquire the Iveco



technology and establish their own truck factory.

Iveco's extensive training programme stands in contrast to standard practice at many other foreign manufacturing ventures in China. Often, overseas management pays its service to the importance of training, language teaching and cultural exchange. As a result, Mr Donati suggests, Sino-foreign joint venture partners spend years bickering, jostling for power and misunderstanding each other's intentions.

Indeed Iveco's approach in China even stands out in comparison with the experience of another arm of Fiat, namely the Piaggio joint venture making mopeds in Guangdong.

Recently Piaggio has slumped down its expatriate presence, but it did not make the early commitment to training and exchange that has been the hallmark of

Iveco's China development.

Instead, Piaggio for a long time had 15 expensive experts on site at a 450-person plant in Guangdong, roughly double the number of Italians now at Iveco's 3,000-person operation in Nanjing.

The fostering of a "little Italy", or at least a little Ital-

**"We have tried to give the Chinese the possibility to understand our industrial culture"**

ian business culture, in Nanjing has been the foundation, Mr Donati says, for Iveco's expansion in the 1990s. In 1992, the Chinese approached the Italian company again to discuss a full-scale manufacturing joint venture.

Some industry observers suggest that such an opportunity was available to Iveco - and even Fiat - much earlier had they pushed in the mid-1980s. It took four years from the start of discussions on Naveco, the Iveco joint venture in Nanjing, before it started production in 1996 - evidence, according to some analysts, of Iveco's tendency

to take longer than others to seize chances in China. Mr Donati, however, was happy to have secured a 50-50 joint venture at a time when most other foreign joint venture partners in the motor industry were relegated to minority stakes.

Iveco invested \$200m in

the joint venture, which is intended to produce 60,000 light commercial vehicles and 75,000 engines a year. On an operating basis, the plant made a profit in 1997 of \$25m and analysts expect it could achieve nearly double that for 1998. But in terms of Iveco's total investment, the project is expected to begin to show a return only after 2002.

For those foreign investors who may feel that is a long wait, Mr Donati plainly has little patience. "Nobody can do business here with a short-term strategy. You have to have a long-term strategy." How long? "Thirty years," he says emphatically.

Foreign investors also have to be prepared to adapt themselves, as well as train their Chinese partners. "Look at the Vatican... It has adapted the liturgy to different circumstances,"

says Mr Donati, noting that Roman Catholics attend Mass with an organ playing in Rome, while in some African churches drums accompany the service.

"What does it mean to be an international company? It is a mental issue: to adapt your know-how to the local conditions," he says.

Mr Donati is happy to be seen as pro-China. Iveco is developing special vans and light trucks for the police and the People's Liberation Army. He is "proud" that the Chinese army crossed the border to Hong Kong in 1997 in Iveco vehicles.

Iveco is now looking at a number of new projects. The company plans a fresh 50-50 joint venture in China with investment of up to L300bn (\$107m) to build buses. The joint venture factory in Changzhou is intended to produce 8,000 buses a year at full capacity. The top man-

agement and departmental heads at the new joint venture will undertake another training programme in Italy.

Iveco has also been considering another \$10m investment in Nanjing to expand engine production to make 30,000 units a year to export to Brazil. But following the devaluation of the Brazilian Real, Mr Donati says Iveco must reconsider. "We have to see. Maybe it will not be a problem. But it is a new factor."

Even while Iveco is looking to expand in China, the number of Italians employed in Nanjing is shrinking. At the main plant there are 3,000 workers. "We expatriated only a very few people. There are only eight," he says, acknowledging that the financial controller comes from Iveco. "But day-by-day that will decrease. We are developing the local managers."



TIM JACKSON ON THE WEB

## Cash is the key to a true portal

Goto.com has found a way to make searching both easy and profitable in itself

The word "portal", as used in the internet business to describe companies such as Yahoo!, Lycos and Excite, has become a misnomer. It is normally applied to search engines that have turned themselves into catch-all services, offering everything from free e-mail to online auctions. Yet there is a paradox in the broadening of their services.

For a portal is something you go through, and these companies are doing everything they can to delay your departure from their site.

Goto.com, based in Los Angeles, claims by contrast to be the "only true portal". Jeffrey Brewer, chief executive, says his web site offers a single, simple service: internet searches, where you type in keywords and get back a list of web sites.

While other portals offer search as a free service but make money from advertising or other activities, his company has found a way to make searching itself profitable. Here is how it works.

With normal search engines, computer scientists devote considerable effort to ranking the web pages listed in order of relevance. They fight constantly with web site owners who try to seed their web pages with words and phrases that will fool the search engines into placing them higher.

At Goto.com, the principle is simple. To appear at the top of a search listing, all a company has to do is pay. Web sites can bid, ranging upwards from 1 cent, for each visit to their site that comes from a response to a specific Goto.com search.

The company offering the highest price will be listed first, and so on. If the visitor doesn't click, nobody pays anything; if no advertisers have bought listings, the sites will be shown in order of relevance using technology provided by Inktomi.

This may sound unfriendly to users. But Goto.com's founder, Bill Gross of the incubation company Idealab, realised correctly that in many cases the company that is willing to pay most to reach someone searching for a particular word or phrase is likely to be precisely the company offering them what they are looking for.

How does this work in practice? If you search at [www.goto.com](http://www.goto.com) for the word "software", the first site listed will be WebAuction, which pays Goto.com 50 cents each time you click on its link. The highest offer on "books" is 38 cents; "vacations" 36 cents; "porn" 28 cents; "mutual funds" 25 cents; and "pensions" five cents. Mr Brewer says some companies are willing to pay \$2.55 for each visit resulting from such searches.

This can be an attractive business. A typical search engine would be unlikely to generate more than \$200 per 1,000 page views by selling advertisements targeted by search words.

Mr Brewer reports that on



many Goto.com pages, 20 per cent of visitors click the first link listed, 9 per cent the second, and 5 per cent the third. If the "click through rate" is very high, the yield may be as much as \$2 for each page view, meaning \$2,000 CPM (cost per thousand impressions).

The service started in June, raising \$8m from venture capitalists including Draper Fisher and Idealab's financing affiliate. It recently closed a round of financing in which investors paid \$20m for 25 per cent of the business. According to the latest figures, it is the 24th busiest site on the web, and generates 100m page views a month. That is impressive in only half a year.

Mr Brewer expects the company to be profitable within 18 months, and has two new weapons. One is an affiliates programme, by which the company has signed up 6,000 partners displaying buttons pointing to its site. Each visit earns a partner 2 cents. Another initiative is to offer "co-branded" search functions. [TheGlobe.com](http://TheGlobe.com), a

community site in the US, uses Goto.com as a search engine and revenue from the clicks is shared between the two companies.

The beauty of the system is that because of the way that links work in Goto.com's search service, the search can be executed entirely from the site of this or any other partner without interfering in Goto.com's ability to account for clicks and collect revenue.

There is only one apparent flaw. Many sites offer advertisers the ability to target users in particular countries. Goto.com does not. An e-commerce merchant that serves only the US may not wish to pay for visitors from Africa. Mr Brewer says Goto.com will implement a national-specific targeting service at some point. The only problem is that it is hard to see how to do this while maintaining the openness of revealing to the visitor the price that has been paid per click. But this remains an exciting business, and a clever idea well-executed. [tim.jackson@probox.com](mailto:tim.jackson@probox.com)

## INFORMATION TECHNOLOGY VIRTUAL REALITY

## So near and yet so far

Commercial opportunities have proved elusive for pioneers of VR on the internet. Geoff Naim explains the industry's difficulties

At first sight, virtual reality seems a technology tailor-made for the fantasy world of the internet. For many pioneers of web-based VR, however, commercial opportunities have proved illusory.

With the growth in popularity of the internet, the VR industry saw a chance to expand beyond its niches in arcade games and product development and tap a vast new consumer market.

Growing VR penetration on the desktop, in large part driven by the internet, could create a huge user base for VR, predicted Ovum, the UK consultancy, in 1998.

Morgan Stanley, the investment bank, predicted there would be 150m interactive web users by 2000 and the industry rushed to turn web sites into interactive 3D worlds. Intel's Mediadome web site shows several examples of the technology including a virtual visit to Venice, a football simulation and a virtual art gallery.

But the market has failed to live up to early expectations. Most web sites see VR as too exotic and offering little benefit over mainstream multimedia technologies.

The big names of the internet industry have provided hollow support. Microsoft and Sun Microsystems are working on 3D web technologies but the projects have yet to deliver commercial products.

The biggest setback came this year when Silicon Graphics, the large US computer manufacturer, announced it would abandon web-based VR. The company was a leader in this field and helped unite previously fragmented initiatives around a single standard, called Virtual Reality Modelling Language (VRML).

But Silicon Graphics decided VR software was no longer a core activity and tried to sell its VR division, called Cosmo Software, to Sony, another VR pioneer. This deal fell through and Cosmo Software was

acquired by Platinum Technology, a big US software house.

The sale caused many VR enthusiasts to fear the worst as Platinum was not a familiar name in the close-knit 3D graphics community. Andrew Filipowski, chief executive of Platinum, insists he is committed to VR but will steer it in a different direction. "Platinum wants to take VR out of entertainment and into the business market," he says.

The company plans to use the VR technology it has acquired to develop 3D interfaces for a range of business applications - visualising complex relationships between data in databases, for example. "The battleground of the future will be the user interface," says Mr Filipowski.

Computer Associates, a rival to Platinum, is also working in this area and between them they have acquired five VR software houses in recent years. They see more promise in applying VR to this new market of "business visualisation" than in creating virtual worlds on the internet.

So, does VR still have a future in cyberspace? John Chipkin, chief executive of the small UK-based software house Superscape VR, believes so. "VR is still

happening on the web but the technology has been tremendously over-hyped," he says. Superscape pioneered VR developments on the internet and half the company's revenues - \$4.2m (\$6.5m) in the 1998 fiscal year - now come from web-based products.

Today, 500 web sites use Superscape's proprietary Viscap technology. A typical application is the VR

**"VR is still happening on the web but the technology has been over-hyped"**

game on the web site promoting I Still Know What You Did Last Summer, a new film from Sony's Columbia TriStar division. The game requires users to first download the Viscap "plug-in" - a small program that runs inside the browser - and this has been a big stumbling block in the development of web-based VR.

Unless there is a compelling reason, most people do not bother downloading the plug-ins or more sophisticated VR "players".

Another problem has been the proliferation of proprietary standards, requiring users to download several players or plug-ins. VRML was meant to end this confusion but the first VRML products were not as compatible as the industry claimed.

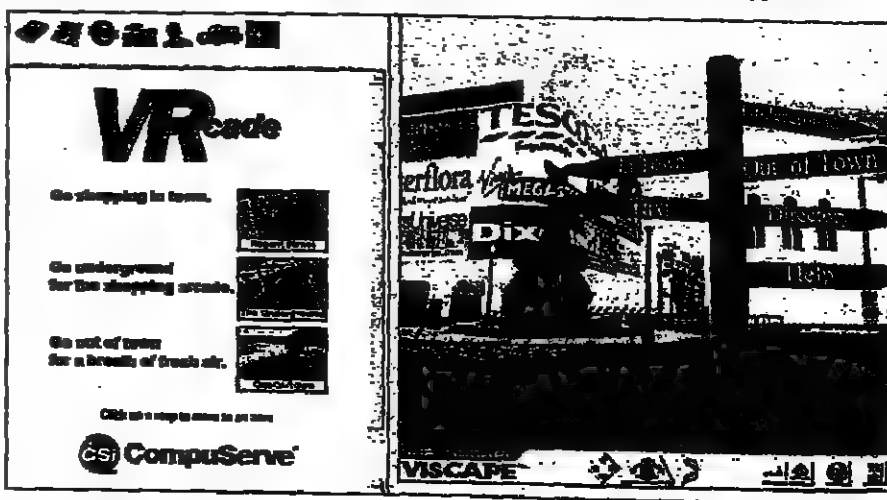
"The early days of VR on the web were tough because VRML was not working and people did not want proprietary standards," says Mr Chipkin. "The market has now matured and people are increasingly writing applications to use VRML."

Superscape once championed its own technology as superior to VRML. But it has become a late convert.

The latest browsers have VRML compatibility built in and Platinum, which acquired the leading VRML player technologies, promises to combine them in a single universal player that will be made freely available early next year.

The slow speed of the internet remains a problem as it limits the amount of detail that can be transmitted, causing users to complain that web-based virtual worlds are not realistic.

Perhaps the biggest challenge affecting web-based VR lies not so much in technical shortcomings as in its flawed conception. The industry has still to demonstrate it has any significant commercial application.



Disappointing reality: the VR industry has yet to show any significant business application on the web



# NETJETS. All the benefits of aircraft ownership at a fraction of the cost.

## NetJets Innovation

In 1986, NetJets innovation brought sweeping change to the way business jets were acquired. The NetJets program now makes business aviation justifiable and affordable for more companies and individuals than ever before.

## Purchase or Lease

NetJets allows you to acquire a fractional interest for as little as 1/8th the price of a full aircraft. You purchase or lease only what you actually need, saving millions of dollars over full aircraft ownership and enjoying guaranteed availability, guaranteed costs, and guaranteed liquidity of your asset.

## Own a Fraction... Use a Fleet

As the largest purchaser of business jet aircraft in the world, NetJets offers the broadest selection of the finest light, midsize and large cabin aircraft. In

Europe, the Citation SII, Citation VII, Hawker 800XP, and Falcon 2000 are available in fractional shares. In the U.S., we offer fractional shares in the Citation V Ultra, Citation Excel, Citation VII, Hawker 800XP, Hawker 1000, Citation X, Falcon 2000, Gulfstream IV-SP, Gulfstream V and Boeing Business Jet.

As a NetJets owner, you have guaranteed access to your aircraft and our entire fleet to receive the fastest response and the broadest coverage to meet your needs anywhere in the world. Owners can interchange to different aircraft types that are best suited to your requirements here and in the U.S.

## Guaranteed Availability, Guaranteed Costs and Guaranteed Liquidity

You are guaranteed service to more than 5000 airports in Europe and the U.S. with as little as 6 hours notice, 24 hours a day, 365 days a year. NetJets

contractually guarantees to repurchase your ownership interest at fair market value. Our inclusive monthly charge covers all fixed costs including pilot, insurance, training, etc. An occupied hourly charge for only the hours you fly covers your variable operating costs. This means simplified financials and no aircraft management concerns.

You'll enjoy superior management of every aspect of your aircraft with totally predictable costs and no surprises—all at a fraction of the cost of a whole plane.

## The Industry Leader.

NetJets offers the broadest selection of the world's finest aircraft with more choices, more service and support and the best financial options.

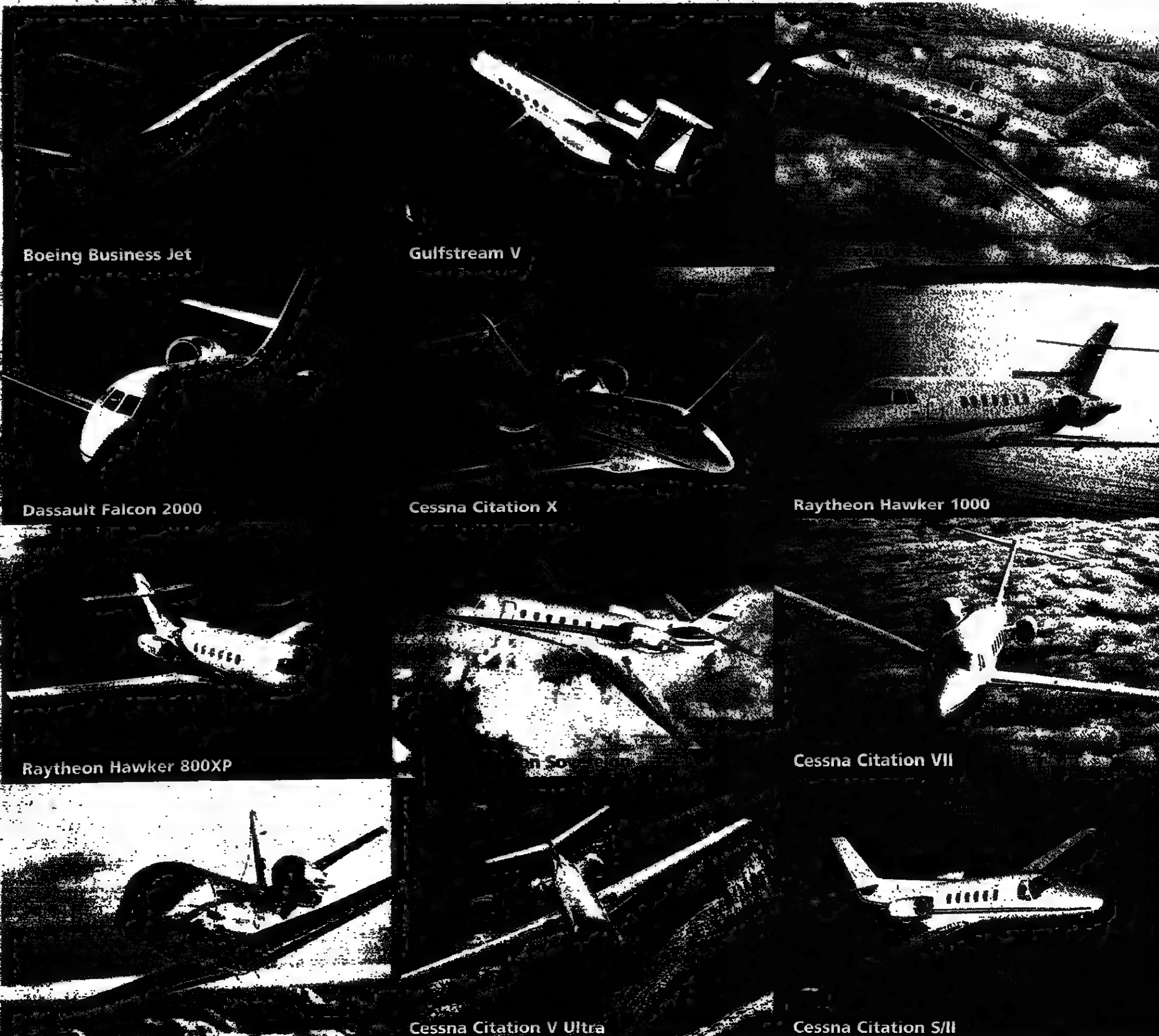
In the last three years, we have purchased over 1/3 of the world's business jet aircraft worth over

\$8 billion. In 1998, our leadership position and market commitment were again confirmed when Warren Buffett made NetJets part of the Berkshire Hathaway company.

So choose NetJets and find out how easy and affordable the ultimate in business and personal transportation can be. In Europe call 41-41-798-1616 for more information or to schedule an appointment. In the U.S. call 1-800-821-2299.

# NetJets

A Berkshire Hathaway Inc. Company





## MANAGEMENT &amp; TECHNOLOGY



Trading places: Philip Docker (centre) in full cry during his days in the London futures pits

## TECHNOLOGY STOCK TRADING

## Shouting software aims to be the pits

Peter John reports on the development of an 'in-your-face' system designed to help options traders move to screen-based markets

The meteoric performance of shares in Vodafone, the UK mobile phone operator, has nothing to do with merger talks or a global rise in telecommunications shares, according to Philip Docker.

It is all down to one anonymous derivatives dealer whose recorded cry of "Vodafone!" in a demotic London accent rings out from two speakers every time the options contract is traded on-screen. The cyber call is so popular with traders at Liffe, the London futures exchange, that they tinker with the stock option contract just to hear it, says Mr Docker.

Such voices alerts are the most striking feature of a unique options trading system developed by EasyScreen, a company created less than a year ago by Mr Docker and Paul Varcoe, his partner.

Between them, they have spent more than 30 years in the market, many in the traditional striped-jacket world of London futures pits. They now have their sights on Chicago.

They have developed a front-end system that competes with eight rivals, including systems from heavyweights such as Reuters and ICD Datastream.

In a nod to the growing influence of computer games, the sys-

tem also has a "machine gun" button - known in the trade as a delta grabber. With two clicks the trader can grab all the available prices within specified parameters and then execute the trades.

Dealers can also use any index as a trigger to buy or sell exposure in the options market. For example, if the Dow Jones Industrial Average reaches 9,000, a sell program can kick in.

"Before I went into this my only computer experience was playing football management games. I didn't even have an e-mail address," says Mr Docker.

"While a lot of people out there are probably not as old as me, they may not be PC literate, so I thought we could develop a system with me as a target user."

EasyScreen claims to be the conduit for 60 per cent of stock options volume, a small part of the overall activity at Liffe but the first phase of the exchange's shift to full electronic trading.

The real money, however, is in futures contracts, particularly in the US. The Chicago Mercantile Exchange has just opted to trade its Eurodollar contract electronically. The contract is one of the highest in the world, with 100m lots traded last year.

The company already has a futures model ready and has set

up an office in Chicago, hoping it can make the most of the business opportunity.

The software input for the options trading system came from Mr Varcoe. Mr Docker had spotted the former Salomon equity trader standing in the trading pits with a laptop, and discovered he had written his own risk-management program.

The duo built on that to create the new system and then persuaded Dealing Object Technology, a London software company, to develop it in exchange for a 25 per cent stake in the company.

Mr Varcoe's wife Paula recorded most of the voice alerts, but the company is starting to offer customised models. One dealer has Wagner's *Ride of the Valkyries* belting out every time an order is filled.

"We have tried to recreate the pit environment," says Mr Docker. "It's an in-your-face system. You can hear the action going on."

Traders who are gradually moving over from the faintly medieval world of pit trading appreciate the "comfort blanket" of a system developed with them in mind.

One experienced ex-floor dealer says: "They understand the needs of the traders and they have taken on the big boys and held their own. But they need the money to develop it. It is okay when you have two or three guys writing the system but when you need 10 the money goes out of the window very fast."

Shumejda and Ratcliff, who took on the chief executive officer role when Jean-Paul Richard resigned after just nine months in the job two years ago, will remain as executive chairman. At the time of Richard's abrupt departure, there was speculation that the two men had clashed over the degree of control that should be given to the chief executive, although Agco itself did not comment in detail.

Shumejda, 54, has already been serving as chief operating officer for 12 months. He has a degree in automotive engineering from Western Michigan University and previously worked for Unifroyal and, between 1970 and 1983, the former International Harvester Company. Agco is the smallest of the major US farm equipment suppliers with annual sales of \$3.2bn in 1997, but has a significant presence in Europe.

It is best known for brand names Massey Ferguson, Hesston and Gleaner.

Nikki Tait, Chicago

agreed bid for the US utility, which it made last month, has obtained its regulatory approvals. He is currently managing director of power systems.

Berry, who is 46, is responsible for electricity supply and will now become executive director for customer sales and service, responsible for the energy supply and retail businesses.

Scottish Power said Murray Stewart, the 65-year-old non-executive chairman, is to stay in office until the Pacificorp deal is completed, instead of retiring at the 1998 annual meeting in July, as previously announced.

Whyte joined the then South of Scotland Electricity Board in 1988 as finance director and took Scottish Power to flotation in 1991. He is currently executive director for multi-utility activities, supervising Scottish Power's capacity to supply electricity, gas, water and telecommunications, as well as being chairman of Manweb, which Scottish Power bought in 1995.

Until he leaves for Weir Group he will concentrate on the regulatory reviews that affect Scottish Power.

James Buxton, Edinburgh

Hosier leaves Sanwa for BCI

Ian Hosier is to become head of aerospace finance at Banca Commerciale Italiana. His move is part of BCI's acquisition of about \$900m in European aerospace finance business from Sanwa Bank, of whose London

branch Hosier is deputy general manager and head of structured finance. Along with other Japanese banks, Sanwa is reducing its international exposure. It will retain about \$200m of European aerospace finance assets.

Clay Harris, London

Streamlining at Den norske

Den norske Bank, Norway's largest, is to streamline its organisation to five from seven units and enlarge its management team to improve its competitive position.

The restructuring, the first under Svein Assar's four-month tenure as chief executive, comes at a time of consolidation in the Nordic financial sector and as Norway's government prepares to reduce its 52 per cent shareholding in the company this year to as low as a third.

Under the new organisation the group will merge its marketing divisions for retail and corporate customers, while creating new business areas for savings and financial services, as well as large business and shipping customers.

The restructuring means the company will not be replacing John Gierholt, the chief financial officer who resigned earlier this month. Tom Grondahl, leader of group staff, will take over his responsibilities.

Valeria Stodd, Oslo

Potter to form investment group

Michael Potter, one of the founders of Epril Telecom, the fast-growing European telecommunications company acquired last month by BTG of the US, is leaving to establish a high-technology venture capital firm.

Potter, who remains president and vice-chairman until the end of February, helped found Epril in 1991 realising there would be rich rewards for operators agile enough to take advantage of the soon-to-be-liberalised European telecoms markets.

Epril was set up in the UK where liberalisation preceded the rest of Europe by several years. The company now has sales offices and points of presence in

more than 30 European cities and is building a 9,000km (5,600 mile) fibre optic network using the most advanced networking and transmission technologies.

Potter, mild mannered by nature, is nevertheless well known for trenchant attacks on the behaviour of incumbent operators whom he accused of bending and breaking competition rules to delay and disadvantage newcomers.

Achieving a level playing field in Europe has been one of his principal ambitions.

He now intends to form an investment group, Paradigm Ventures, to focus on European high-technology projects.

Alan Cane, London

Moving places

Brazil's finance ministry has appointed economist Andre Sando Galabi president of Banco do Brasil, replacing Paulo Cesar Ximenes.

Hitachi vice-president Etsuhiro Shoyama steps up to replace Tadamasa Kanai as president in April. Kanai will become company chairman.

The Vienna Stock Exchange has appointed Erich Obersteiner as its joint chairman. Obersteiner, 59, was previously responsible for Ralfwien Zentralbank's investment banking operations in its branches and subsidiaries. He succeeds Christian Imo.

François Blanchère has been appointed chief executive of DMB&B Paris. Blanchère, 39, joins from Euro RSCG/BHR where he was chief executive.

Rolf Stomberg has been appointed non-executive chairman of Unifly, the polymer manufacturer formed from the management buy-out of the British industrial conglomerate BTR in 1997. Stomberg was a main board director of BP and the chief executive of BP Oil International until he retired at the end of 1997 after 27 years with BP. He is chairman or non-executive director of a number of companies in Europe.

Gérard Delafosse has been promoted to the executive committee of Credit Agricole Indosuez, the French bank.

People on the Move is edited by Lisa Wood. Fax 00 44 171 875 3326.

## BUSINESSES FOR SALE

Planned Retirement Sale  
Hydraulics Company

This company, which provides a comprehensive, quality service in East Anglia, produces net profits of approx. \$200k prior to remunerating the proprietors.

The company holds good distributorships and its refurbishment activities are growing. It has a wide customer base and is not over-dependent on any single customer or group of customers. The business has been built up and is operated on the basis of sound management. The proprietors are applying this approach to their plans for retirement. They foresee that the new proprietor may wish to be guaranteed a handover period of greater than normal length. While they would be happy to effect a sale with immediate retirement, they are willing to consider undertaking the management for the new proprietor for an agreed period.

Further details are available from Messrs. Clark & Associates  
24 Fr Drive, Camberley, Surrey GU17 9BU  
Principals only, please

SHEET METAL PRODUCTS MANUFACTURER  
FOR SALEYELLOWFATHER LIMITED  
(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and assets of Yellowfather Limited

• manufacturer of sheet metal products with turnover of over \$4 million  
• blue chip client base with long term supply contracts  
• modern up to date plant with specialist applications  
• experienced specialist workforce  
• immediate premises in West Sussex and Lancashire  
• good order and enquiry book

For further details contact:  
Keith Stevens/Alan Clifton at Wilkins Kennedy,  
BPO House, 180 High Street, Epsom, Surrey, TW20 6BN  
Tel: 01754 430581  
Fax: 01754 430584

FRENCH ANTIQUE  
FURNITURE RETAILER

Character showroom in excellent West Market Town.  
Home and Export Markets.  
Rare opportunity.  
Well researched, successful concept.

Turnover £156k,  
Gross Profit £92k  
Contact Russell Heath Associates  
Tel: (01464) 772000 for details

BUSINESS  
SALE REPORT

The No. 1 listing of medium to large companies for sale in the UK and Europe (170 Euro). This exceptional, large scale sale of UK businesses, over 200 new companies for sale every month. For subscription details:  
0181-875 0200  
www.cjbo.net/biz

We want your  
business.

For more information on Classified Business Advertising in the FT  
please call:  
Tel: +44 171 973 3349 Fax: +44 171 873 3064

## BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL  
ADVICE BEFORE ENTERING INTO COMMITMENTS

## Housing Home Office

I have sold a business and have up to \$500k to invest in company or venture with good prospects. Must be based in London/SE and require involvement. Consideration paid for introduction.

Please contact: Gerald Edmonds & Co  
(Accountants)  
25 Harley Street  
London W1N 2AB  
Tel: 020 7638 1100  
or fax 0171-431 0917

We act for a growth  
niche hotel group with  
strong performance to seek  
equity or mezzanine finance  
for expansion.

Lot size from £1m-£5m  
Principals only telephone  
Wiggleworth handles  
Chartered Accountants  
(Ref D.J.)  
Telephone:  
01977 690 698

Retired Chairman/  
Chief Executive

of listed PLC, mature energetic stable, seeks challenging part time position of responsibility. Funds can be obtained in suitable cases.

Derrick Cowan  
21 St Stephens Close, 28 Avenue Road,  
London NW5 6DB

## FRANCHISING

Do you just  
want to make  
a living?

Print, Copying & Design is the life blood of every business.

And as an owner of a Kall Kwik Centre you will have the perfect introduction to all those businesses.

So if you have £45,000 to invest, the ability to manage your own team and enjoy dealing with customers, call us for an information pack quoting F19

FREEPHONE 0800 872666

Kall Kwik  
PRINT COPY DESIGN

## DYNAMIC RECESSION-PROOF EXECUTIVE BUSINESS

If you have a business background and want to transfer your corporate skills into your own home based business, becoming a cost management consultant is the ideal service of consultation, energy and passion could be the business and multiple opportunity you're looking for.

Outstanding Income Potential  
You are able to earn large ongoing income working on a completely flexible basis with your own client base.

Outstanding Training on an Exclusive Business System  
Copying support from professional advisors and access to help partner you to long-term success. Flexible cost £28,995.00 + VAT

auditel Call 01962 863915  
Fax 01962 864200 or email info@auditel.co.uk

## BUSINESS SERVICES

Do you have monies managed in Switzerland? Are you getting first rate performance and service from your advisors? Are your funds in good hands? Has bank restructuring left you feeling lost and stranded with unknown managers? Do you draw a blank when you call your bank?

If so, the consultancy and representative services of The Rhone Group GmbH can help you. We assist in the selection of bankers and portfolio managers and provide consolidation and monitoring reports. We provide a bespoke facility to assist clients living outside Switzerland. If this independent service is of interest to you, please contact our Client Service Manager for further information. We do not handle clients' monies.

## THE RHONE GROUP GMBH

Rue de Cornillon 18  
1201 Geneva 1  
Switzerland  
Tel/Fax: +41 22 362 0121  
E-mail: rhonegroup@aol.com

DETAILED COMPANY SEARCHES  
BY RETURN FAX

1.5 million UK registered companies British or Foreign. An absolute wealth of information. Corporate Structures, accounts past and present. Listed companies Stock Market reports included. 30 minute service.

All major credit cards accepted.  
New Accounts welcomed.  
TEL 0151 236 9788

LEGAL  
NOTICE

No. 007127 of 1998  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

IN THE MATTER OF  
CORVORACE RACING LIMITED  
- and -  
IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Court of the High Court of Justice (Chancery Division) dated 20th January 1999

confirming the resolution of the capital of the above named Company from £50,000 to £500,000 and the advice approved by the Court showing with respect to the capital of the Company as altered the several positions required by the above-mentioned Act were registered by the Registrar of Companies on 26th January 1999.

DATED the 2nd day of February 1999.

Lorell White Durrant  
60 Holborn Viaduct  
London EC1A 2DY

Solicitors for the above mentioned Company

kallback  
New  
Lower Rates!

Call the U.S. from:  
France.....20¢  
Germany.....21¢  
Italy.....34¢  
Japan.....32¢  
U.K.....17¢

Instant Activation  
Fiber-Optic Networks  
Itemized 6-Second Billing  
Ideal for Home, Office,  
Hotels and Mobile Phones

Agent inquiries invited  
Tel: 1.206.378.2830  
Fax: 1.206.378.2831

417 Second Avenue West  
Seattle, WA 98119 USA  
www.kallback.com  
Email: info@kallback.com

## BUSINESSES WANTED

A company will acquire a Bank  
or a Credit Institution.

Fax: (+1 212) 214 0309

BUSINESSES WANTED  
SCHOOLS TRAVEL

A leading player in the school travel market in Europe seeks a partner to expand its business in the UK and Ireland.

Businesses in Greater London  
All enquiries to: Mr. John Smith  
Company Secretary, 100 Victoria Road,  
London W14 7LJ

Specialist technically orientated manufacturing business sought by our client who was previously MD of a public company.

Business should be of the order of £1 to £10 million and the business should preferably be materials based with a product range, but any meeting opportunity would be considered.

Please reply to: E. Palmer at Douglas Dale, Successor Ltd,  
4 Gosmore Walk, Worcester,  
WR1 1LE

## CONTRACTS &amp; TENDERS

EAST RIDING OF YORKSHIRE COUNCIL  
Private Finance Initiative - Grouped Schools Project

The East Riding of Yorkshire Council is proposing to undertake an extensive refurbishment and extension of six schools in Bridlington under the Private Finance Initiative. The Council is seeking expressions of interest to design, build, finance and operate including maintenance and facilities management for a grouped schools project in Bridlington. The project also includes a new build dual use library. It is presently anticipated that the construction phase will be completed within a period ending in December 2001.

This project has been awarded to the Official Journal of the European Community and has received outline approval to proceed to PFI procurement from HM Treasury and the Department for Education and Employment.

The Council reserves the right not to award the contract and to award other similar and related services to the successful contractor. All parties wishing to express an interest should submit a written request to the East Riding of Yorkshire Council for the attention of: Mr N Pearson, Solicitor, County Hall, Beverley, East Riding of Yorkshire, HU17 9BA, fax (01482) 849931 by 5pm on 19 February 1999. All parties expressing an interest will then be sent a pre-qualification questionnaire and preliminary information memo, the questionnaire to be returned by 5pm on 5 March 1999.

EAST RIDING  
OF YORKSHIRE COUNCIL

## TENDER

West Midlands Pension Fund  
Corporate Governance -  
Voting Service

Tenders are invited for provision of the above service for an initial 4 year period commencing 1.4.1999.

Closing date for receipt of tenders 26.2.1999.

Further details and requests to tender from:  
Director of Finance,  
Civic Centre,  
St Peter's Square,  
Wolverhampton WV1 1RL

Tel: 01902 554500

WOLVERHAMPTON  
COUNCIL



## THE ARTS

## EXHIBITION

## Saint, husband and public enemy

William Packer is delighted by a collection showing Charles I, who was executed 350 years ago, as all these and more

On January 30, 350 years ago, at about two in the afternoon, Charles Stuart, king of England and Scotland, met his death on the scaffold in Whitehall. Wearing several shirts against shivering in the cold, he stepped through a window of the Banqueting House, on to the black-draped scaffold outside. Having spoken briefly to his people, and scornful of the ropes and pulleys provided against his possible resistance, "mildly praying to himself, he stooped down to the block, as to a Prayer Book, and most humbly bowed his generous neck to God, to be cut off by the Vizarded Executioner, which was suddenly done at one blow. Thus fell King

but nonetheless far-reaching parliamentary reform, these unhappy precedents might give us pause. The head that fell that frosty afternoon remains one of the most familiar icons in British history and art, with its long hair and pointed beard and quiet, melancholy gaze - from before the age of photography, only Henry VIII and Elizabeth I can have been as immediately recognisable. The point of the exhibition now at the Queen's Gallery, which marks this notable anniversary, is to examine quite how it was that King Charles's image came to be so fixed, even in his own time, in the general consciousness. It falls naturally into two parts. First, there is early

and, of course, Van Dyck. To see Van Dyck's definitive triple study of the royal head (two profiles and full-face) - sent to Rome as a reference for Bernini, from which he carved the marble bust that was subsequently destroyed in a Whitehall fire of 1696 - alongside a putative copy of that lost original is to enjoy a frisson of comparison that is quite new, for these things have never before been shown together.

Across the room are another two unfamiliar but important busts, one a plaster by an unknown artist, which, though loose in the modelling of the shoulders, has a direct and highly personal quality. The other, the finest of the three, was made in London in the 1630s by the French sculptor, le Sueur, a regally hieratic image which, in its less refined but effective public version, sits amid the traffic of Trafalgar Square.

But it is the context in which the works are placed that gives the exhibition its savour, a context supplied by a rich trove of documentary material, popular prints, books, medals, broadsheets and polemical tracts. The prints especially are of a remarkable quality, as though fresh off the press. Here are a rare pair of the king and his devoted queen, Henrietta Maria, after the Van Dyck double portrait; the king on horseback, again after Van Dyck; and again, but with the head of Cromwell substituted for that of the king.

The exhibition works at several levels: as a study of printmaking in the early 17th century; as social documentary, propagandising the



A supreme confidence in the nobility of kingship: Charles I by De Witt after Mytens (1629)

royal image, the subversive use of the broadsheet, the spread of political opposition; and an analysis of the cult of the martyr, the most subversive play of all.

But ultimately it is the sense of the man himself, as a man of his pomp and his predicament, that commands this show, whether as king, husband, public enemy, or sainted victim. The familiar

Van Dyck image holds centre-stage, but perhaps too others, less well known, set this truer tone. They are both of the 1640s, the times of his troubles: William Dobson, painter at court in its wartime exile at Oxford, shows the king as he was in the most direct terms, human observation but without flattery of a sad and troubled man; and Edward

Bower shows the king sitting at his trial at Westminster, in his tall hat, his Garret star defiantly on his arm, now remote and calm in resignation to his fate.

The King's Head - Charles I, King and Martyr: The Queen's Gallery, Buckingham Palace, London SW1, until May 3; arranged and supported by The Royal Collections Trust

## CONCERT HAITINK/LPO

## Fine Mahler that drew in the crowds

Yet again, last month, the Royal Festival Hall was sold out for a Mahler performance by a fine conductor and a crack orchestra: respectively the Ninth Symphony (and only that, without any preliminary filler), Bernard Haitink and the London Philharmonic. It's a good long while since I saw so long a queue, of all ages - well, from about 18 up - and dress-styles, pleading for tickets at the windows.

On box-office criteria, current audiences seem to agree with the conductor Ben Zander that Mahler was an even greater symphonist than Beethoven. Though they really aren't comparable: Beethoven could scarcely have imagined the virtuoso modern orchestras from whom the conductor-composer demanded so much, and it would be vacuous to speculate whether a "Mahler" born earlier could have achieved more than Beethoven, with his non-virtuoso hands and his narrower, "classical" harmonic palette.

What is certain, however, is that live symphonic Mahler now generally out-sells Beethoven - even the "Choral" symphony, except when it boasts very famous soloists. And Haitink's scrupulous account of the Mahler Ninth certainly gave satisfaction this time: finely prepared, beautifully executed.

It was a pretty selfless account, unlike some famous others. There was little of Leonard Bernstein's

wicked mischief in the *Ländler* movement, for example, nor any gross violence in the *Rondo-Barcarolle* (taken brilliantly fast); and I have never heard a steadier tempo maintained in the great *Adagio* - no *molto espresso* swoops or dips. Haitink probably believes that the notes should speak for themselves, as they did. From where I sat, halfway

**Mahler generally out-sells Beethoven - even the "Choral" symphony**

back in stalls left, there was a balance problem: probably just a trick of the acoustics, but vexing. Whenever the excellent trombones or horns, or even a solo horn, played without mutes, the violins were just swallowed up. The falling second that haunts the score, especially in the first movement, became a lethal threat to the thematic fabric.

Newcomers to the symphony, if they were sitting near me, must often have lost the thread. Since Haitink is a master of orchestral balance, an acoustic gremlin must be blamed. A pity, but it was still an admirable performance.

David Murray

**The head that fell that frosty afternoon remains one of the most familiar icons in British history. Only Henry VIII and Elizabeth I could have been as immediately recognisable**

Charles, says the Black Memorial broadsheet, published soon after, "and thus all Britain with him."

Even the parliamentarians were awed by what had been done. "He nothing common did or mean/Upon that memorable scene" wrote the poet Marvell: "This was the memorable hour/Which first assured the forced power." The Cromwellian project, after all, was hardly a success, ending as it did in the dictatorship of the lord protector, free of Commons as well as Lords. In a moment now of not quite so violent

celebrity as Prince of Wales, the young king and his dynastic but happy marriage to Henrietta Maria of France, and the conventional glorification of the royal house through the 1630s and the period of his personal rule. Then comes the Civil War propaganda, the confinement of the king, moving to trial and execution and the emergence of the cult of the martyr king.

The material is drawn entirely from the royal collections, centred on the work of the principal court artists, such as Mytens and Dobson,

## Self-serving struggle of the men from the ministry

**THEATRE**  
**NICHOLAS POWELL**  
Les huissiers  
Théâtre de la Colline, Paris

The eight-year-long Algerian war of independence remains an eminently painful and unhealed trauma in modern French history, rarely if ever documented on television and virtually taboo in the cinema and theatre. But it did inspire Jean Genet's *Les paravents*, which was published in 1961 just before Algerian independence and first performed five years later.

Michel Vinaver's excellent *Les huissiers* ("The ushers"), on the other hand, written in 1967 during the early stages of the war, is less brutal in its action and vocabulary and far more incisively critical of France's political elite. But it frightened off every director in sight.

It was not performed until 1980, in Lyons, and is only now having its first Paris run, until February 28, at the Théâtre de la Colline,

which specialises in young and avant-garde writing.

Staged by the theatre's director, Alain Françon, *Les huissiers* has been partly rewritten. Vinaver has pared down the political speech-making and restored the real names of political parties he originally concealed behind pseudonyms.

The play has spotlighted both Vinaver, aged 72, who was little known outside theatrical circles, and his

**The Algerian war of independence is virtually taboo in French cinema and theatre**

unusual double career: far from being a bohemian outsider like Genet, the playwright was, for 30 years, a senior executive with Gillette under his real name, Michel Grinberg.

*Les huissiers* is the sort of

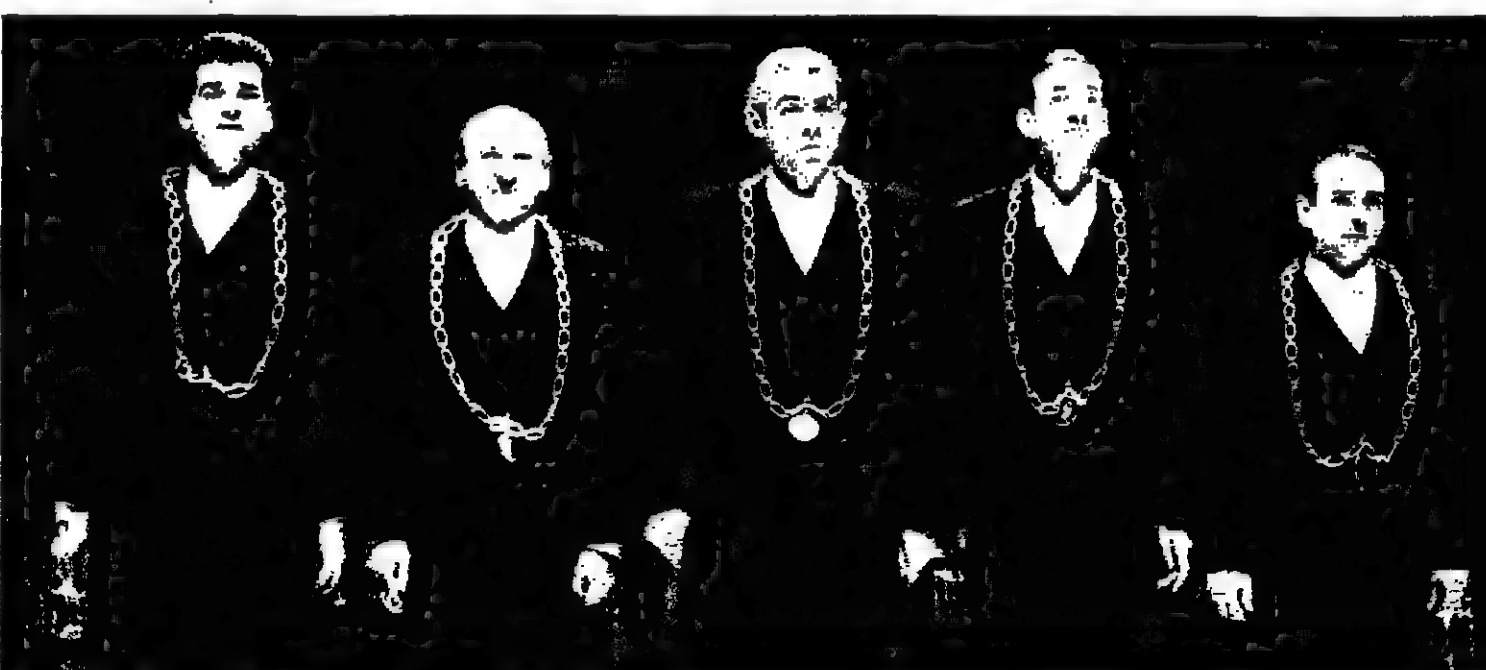
play Jean-Paul Sartre might have written had he been blessed with a sense of humour. It pitches the pettiness of political manoeuvring in France's fragile Fourth Republic against suffering it cannot comprehend and ordinary human joys it prefers to ignore.

Amid the self-serving circles of Parisian ministries, the Algerian war is perceived primarily as an obstacle to career advancement.

The five ushers of the title - the tail-coated, chain of office-bearing civil servants, omnipresent in French ministries - form a chorus, commenting on their masters' political scheming and their own day-to-day concerns, from births to pension schemes and holidays.

Genet actually put fighting between Algerians and Legionnaires on the stage. Here, the conflict is far away. Its horror is evoked simply, and all the more powerfully, by reports of a massacre that the French army has allowed to take place.

The suffering is embodied



In chains: the five ushers form a chorus to comment on their masters' scheming

in the distraught widow of a French officer, who comes for help to his childhood friend, Paidoux, the minister of defence. He, by way of comfort, can only offer heartless political smooth talk, and propose an inappropriate job.

Vinaver throws everything into even grimmer relief by describing the government's parallel struggle to appease the nation's hairdressers,

who are lobbying for action against the latest mode for short hair among women.

All sorts of solutions, including pressuring fashion magazines to promote elaborate feminine hair decoration - comprising everything from model boats to birds - are envisaged and worked over. The minister's secretary, Mademoiselle Siméne, is even made to wear one.

A young disgraced radical socialist *député*, meanwhile, finally secures both his and Paidoux's political salvation by suggesting the launch of a lotion, prettily described as an "ondulation masculine", concocted to add a pleasing wave to men's hair. The government is at last safe.

Vinaver says that work with Gillette kept him enjoyably in contact with day-to-day reality. His writ-

ing, meanwhile, remained close to the bone.

His failure to stage a second controversial political play, *Jeunesse d'été*, written in 1968 about General De Gaulle's return to power that year, put him off writing for 10 years.

Then *Par-dessus bord* of 1969, concerning a family firm of lavatory paper manufacturers bought out by a multinational, helped abbreviate his career with Gillette.

With his latest work, *King*, commissioned by Françon, due to open next month, he has put his former career to even better use, dramatising the extraordinary story of the razor company's utopian founder, King C. Gillette.

*Les huissiers*, until February 28; and *King*, March 11-April 25, Théâtre de la Colline, Paris

## INTERNATIONAL

## Arts Guide

## AMSTERDAM

**OPERA**  
Netherlands Opera, Het Muziektheater  
Tel: 020-551 8911  
Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Carmen Oprisanu and Martin Thompson; Feb 3, 6

## BERLIN

**CONCERT**  
Konzerthaus  
Tel: 030-203080  
Deutsche Oper Orchestra: conducted by Jiri Kout in works by Brahms and Bartók, with piano soloist Gerhard Oppitz; Feb 3

**OPERA**  
Deutsche Oper  
Tel: 030-94384-07  
Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew; Feb 4  
Maurice: by Massenet. Conducted by Sebastian

Lang-Lessing in a staging by Cesare Lievi; Feb 2, 5

## CHICAGO

**OPERA**  
Lyric Opera of Chicago  
Tel: 312-332 2244  
www.lyricopera.org  
Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorghiu; Feb 5

## DALLAS

**OPERA**  
Dallas Opera  
Tel: 1-214-443 1000  
www.dallasopera.org  
La Bohème: by Puccini. Conducted by Antonello Allemandi in a staging by Mark Lamos, with sets by Michael Yeargan; Feb 3, 6

## FORT WORTH

**EXHIBITION**  
Kimbell Art Museum  
Tel: 1-817-3328451  
www.kimbellart.org  
Matisse and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

## GLASGOW

**OPERA**  
Theatre Royal  
Tel: 44-141-332 9000

Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 6

## HOUSTON

**THEATRE**  
Houston Grand Opera, Wortham Center  
Tel: 1-713-227 2787  
www.hgo.com  
A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade, Thomas Allen and Sheri Greenawald; Feb 3, 6

## LONDON

**CONCERTS**  
Barbican Hall  
Tel: 44-171-638 8891  
● London Symphony Orchestra: conducted by Colin Davis in works by Elgar, Bartók and Beethoven, with violin soloist Sarah Chang; Feb 3, 4  
● London Symphony Orchestra: conducted by Colin Davis in works by Beethoven and Elgar, with piano soloist Richard Goode; Feb 7

Royal Festival Hall  
Tel: 44-171-960 4242  
● London Philharmonic Orchestra: conducted by Kent Nagano in works by Bartók and Berlioz, with violin soloist Yuri Bashmet; Feb 3  
● Royal Concertgebouw Orchestra: conducted by

Riccardo Chailly in works by Brahms and Schoenberg, with violin soloist Vadim Repin; Feb 4

## EXHIBITIONS

Barbican Art Gallery  
Tel: 44-171-638 8891  
● Africa by Africa: A Photographic View. Spanning the breadth of photography produced in Africa since the 1920s. Includes works by Mami Cassel, Seydou Keita and Samuel Fosso; to Mar 28  
● Picasso and Photography: The Dark Mirror. Exhibition exploring the influence of photography upon both the figurative and Cubist strands of Picasso's work, and including photographs by Picasso; to Mar 28

## MONTREAL

**EXHIBITION**  
Montreal Museum of Fine Arts  
Tel: 1-514-285 1600  
www.mbam.org  
Monet at Giverny: 22 paintings, produced during the last 20 years of the artist's life, loaned by the Musée Marmottan in Paris; to May 9

## MUNICH

**CONCERTS**  
Philharmonie Gasteig  
Tel: 49-89-5481 8181  
● Munich Philharmonic Orchestra: conducted by Fabio Luisi in works by Wagner and Liszt; Feb 2, 3  
● Philharmonie Folkwang Essen: in works by Bach and

Beethoven, with violin soloists Nigel Kennedy and Peter Daniel; Feb 5  
● Symphonieorchester des Bayerischen Rundfunks: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia; Feb 4

## EXHIBITION

Haus der Kunst  
Tel: 49-89-211270  
The Night: exploring the development of the nocturne, or night time scene, in western art from the 15th to the 20th century. Includes early examples by artists including Cranach, baroque works by Caravaggio and his followers, works by the German romantics, Goya, Munich Ernst and Magritte; to Feb 7

## OPERA

Bayerische Staatsoper  
Tel: 49-89-2185 1920  
www.staatsoper.bayern.de  
Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrienne Pieczonka and Waltraud Meier; Feb 3

## NEW YORK

**EXHIBITION**  
Museum of Modern Art  
Tel: 1-212-708 9480  
www.moma.org  
Jackson Pollock: first US retrospective of the Abstract Expressionist since that held at MOMA in 1967. Includes more than 100 paintings and 50 works on paper; to Feb 2, then transferring to London

**OPERA**  
Metropolitan Opera, Lincoln Center  
Tel: 1-212-362 6000  
www.metopera.org  
Moses and Aaron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 8

## PARIS

**CONCERTS**  
Salle Pleyel  
Tel: 33-1-4561 6589  
Orchestre de Paris: conducted by Frans Brüggen in works by Beethoven, Hummel and Schubert, with piano soloist Marie-Joséphine Jude; Feb 3, 4

## EXHIBITION

Grand Palais  
Tel: 33-1-4413 1730  
Un ami de Cézanne et de Van Gogh: le docteur Gachet (1828-1909). Exhibition devoted to the doctor and painter who was a friend to Cézanne, Pissarro, Monet and Renoir as well as to Van Gogh, who famously spent the last weeks of his life with Gachet at Auvers-sur-Oise; to Apr 26, then transferring to New York

## ROME

**EXHIBITION**  
Palazzo delle Esposizioni  
Tel: 39-06-474 5903  
Pousin: Early Years in Rome. Display of 41 works produced between 1624 and 1628. The

centrepiece is 'The sacking of the temple in Jerusalem by Titus' (1925/6); to Mar 1

## ZURICH

**EXHIBITION**  
Kunsthau Zurich  
Tel: 41-1-251 6765  
Chagall, Kandinsky, Malevich and the Russian Avant-garde: exhibition exploring the artistic upheavals of the first two decades of this century. Includes important loans from the State Hermitage Museum in St. Petersburg and pictures from provincial Russian museums; to Apr 25

## TV AND RADIO

● **WORLD SERVICE**  
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHz (463m)  
● **CNN International**  
Monday to Friday, GMT:  
06.30: Moneyline with Lou Dobbs  
13.30: Business Asia  
19.30: World Business Today  
22.00: World Business Today Update

● **Business/Market Reports**  
05.07; 06.07; 07.07; 08.20; 09.20; 10.20; 11.20; 11.32; 12.20; 13.20; 14.20.  
At 08.20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



## COMMENT &amp; ANALYSIS



PETER MARTIN

## Age of the network

I had heard it so many times before, but I finally saw the light on the road to Davos

I finally get it. The moment of understanding came in a conversation at Davos with David House, president of Nortel Networks. At the end of the discussion, I understood what the coming age of pervasive networks will mean.

Imagine a world in which all rich-country adults – and most of the kids too – are permanently connected to broadband cellular radio networks.

The appliances they carry – telephones, pagers, digital notebooks, electronic tablets, personal computers, desk phones, computer games – share the same basic functions. Each one is optimised for a particular task, such as voice conversations, e-mail, or blasting monsters.

But what they have in common is more important than their differences. All these appliances are in constant contact with the rest of the world, continuously updated, seamlessly blending hi-fi sound, television-quality images and instant access to all the world's data. The world wide web is part of this, but only part.

I know, I know. You are yawning already. This is the science fiction vision we have been promised since the dawn of the computer age. But this time it is real. In fact, it is no more than a year or two away.

Here is the final proof: telecoms equipment companies are merging with computer networking companies. That might sound an arcane bit of corporate manoeuvring, but it is absolutely central to the story. Nortel Networks, a merger of Canada's Northern Telecom with California's Bay Networks is one example. So is Lucent's acquisition of Ascend.

Further mergers are almost certain to follow.

The free-wheeling, rapidly changing world of computer networking is culturally as far away from the buttoned-down phone-equipment business as you can imagine. So the fact that the two are willing to get together tells you something: both sides see no choice.

Until a year or so, most of the traffic on the world's telecoms networks was voice. Now, in the most advanced countries, the majority is data. In a few years' time, voice will be a tiny fraction of the traffic. Only computer networking technology can carry data efficiently – its switches are 15 times better at handling data than exchanges designed for voice traffic.

But the phone equipment people have a trump card, too: a history of staggering reliability. As Mr House says, it is the difference between 99.8 per cent uptime (a good computer network) and 99.999 per cent.

(a phone system).

That might seem esoteric, but it is not. Think what that means in terms of the user experience. When you pick up a fixed line phone, you do not think twice about whether you will get a dial tone. You just know there will be one. And, these days if you get a wrong number, you assume you misdialled. The system's reliability is taken for granted.

When you use one of today's cellular phones, you cannot be certain you will get a signal. Probably you will, but sometimes you will not. And using the internet over a dial-up connection is even more unsure. Psychologically speaking, the three experiences are distinct. A pretty reliable connection is quite different from a very reliable one.

The Lucent/Ascend deal and the Nortel/Bay Networks merger will help bring phone system reliability to all networks, voice and data. And broadband connections – in corporate networks, at home

and over next-generation cellular – will transform the experience in other ways.

Here is a practical example. Today's internet shopping sites are the equivalent of catalogue shopping. They work just fine for transactions where you know what you want, or can easily choose. But in many sales transactions – and almost all high-value ones – you need advice from a human being. You want to ask questions, and assess the plausibility of the answers.

Tomorrow's shopping websites will have buttons you can click to connect you immediately to sales people who will answer your questions. You will hear their voices and see them live on screen. They can call up data and images to show you, customised to your needs. You can send them a picture of yourself, to see how you will look in your new clothes. Some websites are already adding in voice connections. The full version is only a few years away.

Another practical example: there will be no real difference between the phone on your desk and the phone in your pocket. All will be cordless, all will have built-in voicemail. All will have the ability to handle your e-mail, keep your diary, and preserve a searchable archive of your conversations. The choice of when and to whom to be available will be yours.

All this depends on the availability of broadband connections. In homes, it is finally taking off on a massive scale in North America, through cable modems and the advanced phone service called DSL. New corporate buildings will have this sort of access plumbed in from the outset. Retrofitting older ones will be slower. But third-generation cellular, the system known as UMTS in Europe, will be with us from around 2002. Not only will it provide broadband access for mobile devices, it will put intense pressure on fixed-line operators to move more quickly.

Technology visionaries may say: there is nothing new in all this. We have been saying it for years. And so they have. But now I get it.

peter.martin@ft.com



## LETTERS TO THE EDITOR

## Benefits of market-driven standards

From Mr David L. Aaron.

Sir, Your editorial "Crossed lines" (January 20) makes the point that the US has paid a price for its market-driven approach to standards for mobile communications, but overlooks the very substantial benefits of this approach.

In the US, without mandating standards or national coverage, we have nationwide coverage by networks in place or under construction that use four different second generation technologies. The result is that some carriers offer local and long-distance wireless service at flat rates as low as 10 to 15 cents a minute, which is competitive with wireline service prices. Rates in Denmark, by comparison, average 31 cents a minute; in France, the average is 54

cents a minute. We firmly believe that licensing multiple technologies and competitors worldwide will offer similar benefits to wireless customers around the globe.

We also believe that much of the innovation in the wireless communication market can be traced to the market's drive to drive standards. In fact, it is worth noting that code division multiple access technology, a leading contender as a standard for third generation technology, likely would not have been developed commercially if a single standard had been mandated in the US because it was submitted for consideration after the adoption of time division multiple access technology.

As we look towards the

next generation of these systems, we in the US believe that encouraging innovation and competition, rather than conferring the advantage of regulatory certainty on a preferred technology, will be in the best interests of all. For this reason, we strongly support the industry-led standards negotiations now under way in the International Telecommunication Union, and we urge EU member states to ensure that their 3G licensing processes accommodate all ITU recommended standards on an equally timely basis.

David L. Aaron, under-secretary for international trade, US Department of Commerce, Washington, DC 20230, US

## Fed's policy removes risk of circularity

From Mr Adrian Cunningham.

Sir, In "Watch out for the fireworks" (January 20), Martin Wolf concludes that the Federal Reserve has made serious errors by paying insufficient attention to asset prices in the formulation of monetary policy. Perhaps it has. Certainly its monetary policy stance has done little to deflate asset prices.

However, it is unlikely to have known with certainty that the information contained in those asset prices highlighted a "bubble" rather than a rise justified by an improvement in the underlying fundamentals.

On several occasions over the past few years Alan Greenspan, the Fed chairman, has highlighted the problems associated with determining the nature of recent economic trends in the US. It appears as though the authorities are uncertain whether these trends are unusual variations of the conventional business cycle or whether the inclusion of new technology in the productive process is capable of raising productivity to new levels.

Since these uncertainties are unlikely to be resolved conclusively in the near term, surely the Fed is best served seeking price stability while ensuring that the financial system is well regulated and capitalised so as to be able to withstand asset price volatility without severely impacting the real economy. This at least removes the risk of circularity – asset prices depending on expectations of policy moves and vice versa.

Adrian Cunningham, head of economics, Scottish Mutual Assurance, 302 St Vincent Street, Glasgow G2 6RN, UK

## Nike's certification no means guaranteed

From Pharis J. Harvey.

Sir, Hannah Jones's letter (January 25) disowning the statement of Joseph M. Ha, Nike vice-president, regarding human rights activists in Vietnam is simply not credible. No vice-president of a leading company would commit in writing to a highly placed official statement that did not reflect company policy. Dr Ha's statements are therefore evidence of Nike's embrace of anti-democratic values.

We have worked with Nike for the past two years as a non-governmental partner to the White House Apparel Industry Partnership. We are

therefore particularly dismayed at Ms Jones's letter. The Apparel Industry Partnership as "evidence" of Nike's labour-friendly corporate practices.

The Apparel Industry Partnership, after two years of difficult negotiations, has only recently succeeded in developing a charter for a Fair Labour Association to monitor and accredit companies. Even after the association is established, it will be three years before any company can be certified as having good labour practices.

There is no guarantee that Nike will receive such certification. Therefore, as we

stressed repeatedly during the negotiations, no company should use its participation in the partnership as evidence of good labour practices.

The fact that Nike has ignored our concerns on this point hardly bodes well for the future co-operation with the non-governmental organisation community.

Pharis J. Harvey, executive director, International Labor Rights Fund, 735 15th Street N.W., Suite 920, Washington, DC 20005, US

## Russian investments need not be written off

From Mr Igor Nazvanov.

Sir, I do not believe that the Russian market is so "depressed" and that multinationals must "write off" their investments here permanently.

There are huge ADR, GDR

and bill markets allowing such companies to cash their investments in foreign banks through trading them on the market.

That is exactly what bankrupt banks do, transferring the debts into liquid capital

and moving it to a newly set-up bank.

Igor Nazvanov, trust service, Financial Bank Zurich, 2 Veerolzhitsky pereulok, Moscow, Russia

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be sent to +44 171 673 5530 (fax to +44 171 673 5531) or e-mail: letters@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages. Fax 0171 673 5530. Letters should be typed and not hand written.

## CONTRACTS &amp; TENDERS

## INVITATION FOR THE SUBMISSION OF EXPRESSIONS OF INTEREST TO ASSUME THE MANAGEMENT OF OLYMPIC AIRWAYS S.A. UNDER A MANAGEMENT CONTRACT

Within the framework of Greek Presidential Law 2000/1991 and the decision dated 29 January 1999 by the Interministerial Committee for Privatisation of the Hellenic Republic (ICP), Solomoni Brothers International Limited (Solomoni Brothers) and the National Investment Bank for Industrial Development S.A. (NIBID), hereinafter jointly referred to as the Advisors, have been authorised to seek, acting on behalf of and as exclusive financial advisors to the Greek State, a suitably qualified Management Contractor to assume the management of Olympic Airways S.A. (OA), under a Management Contract (Management Contract) or the (Mandate) for a defined period of time and within the context of the Company's restructuring plan and process of forming suitable strategic alliances.

As a minimum requirement, in order to be considered for the Mandate, interested Parties should be companies specialising in the provision of services in the area of airline management, or should be an airline of sufficient size, with the relevant experience, resources and qualified executive personnel. All interested Parties must be financially sound and credible within the context of the size and scope of the Mandate.

## Olympic Airways S.A.

OA is the national carrier of Greece. It was founded in 1956 and its sole shareholder is currently the Greek State. The Company's principal activity is the provision of scheduled air transportation services for passengers and cargo, both domestically (mainly through its subsidiary Olympic Aviation S.A.) and internationally. OA also provides ground handling services to airlines at airports in Greece and operates a full service maintenance facility at Hellinikon Airport in Athens. In addition, OA has subsidiary companies which are active in the provision of charter airline services (Macedonian Airlines S.A.), catering (Olympic Catering S.A.), the operation of reservation and distribution systems (Gallo Hellas S.A.), travel and tourism (Olympic Touristik S.A. and Olympic Air Cruise Ltd).

The Company's international network covers destinations in Europe, North America, Asia, the Middle East and Africa. The domestic network includes trunk routes on the mainland and an extensive island network. OA's fleet (including its subsidiaries) consists of 52 aircraft (Boeing 747, 737, 727, Airbus A300, ATR 72, ATR 42 and Dornier 328).

The Company is implementing a Restructuring and Recapitalisation Plan which was approved by the European Commission in July 1998. It is also preparing to move its base from Hellinikon Airport to the new Athens International Airport at Spata.

## Scope of the Management Contract

The overriding purpose of the Management Contract is the implementation of the Company's Restructuring Plan, after an initial objective assessment and, if required, further development of the Restructuring Plan on the basis of the Management Contractor's expertise. The Management Contract is intended to last around the operating and financial performance of the Company in order that it is profitable and to ensure its long term viability according to private sector criteria. The Management Contractor will also undertake the necessary steps that will enable the Company to enter into the most suitable international strategic alliance.

The Mandate will require the employment of a number of top level executives, whom the Management Contractor should be able to supply on signature of the Management Contract. The Management Contractor should also be in a position to support the Company and its executives with appropriate management systems and with other specialised personnel, if such support is required. The Management Contract will be awarded for a defined period of time, initially for two years.

## Requirements of Expressions of Interest

In order to be considered for short-listing, interested Parties should submit an Expression of Interest which includes:

- A description of their business activities, corporate and ownership structure and recent financial performance;
- Details of relevant corporate qualifications and credentials to undertake such a Mandate;
- A description of their access to suitably qualified and experienced personnel to undertake the Mandate;
- A description of any experience and credentials within the Greek marketplace.

It should be noted that consideration will be given to Expressions of Interest from both single corporate entities and associations of companies formed for the purpose of the Mandate.

Expressions of Interest should be submitted to the following address by 19:00 Greenwich Mean Time on 12 February 1999 and labeled as follows:

Expression of Interest for the Assignment of a Contract Pertaining to the Management of Olympic Airways S.A.

Solomoni Brothers International Limited

Victoria Plaza

111 Buckingham Palace Road

London SW1W 0SB England

Attention: Mr Simon Hirst, Director

Summary Description of Process for Awarding the Management Contract

From the Expressions of Interest submitted, a short-list will be formed from those interested Parties who meet the minimum requirements of the Mandate in respect of their general and specific qualifications, as well as their financial soundness. The short-listed Parties will receive, after first signing a Confidentiality Agreement, a detailed Request for Bidding Proposals which will include confidential information along with details concerning the timetable for selection, as well as a draft Management Contract. After the submission of the Bidding Proposals by the short-listed Bidders there will be a short period of clarifications and interviews. The Management Contract will be negotiated and finalized with the Preferred Bidder.

The Greek State and the Advisors reserve the right to change the terms of this invitation, including the timetable and process of awarding the Management Contract, if deemed necessary and under the condition that prior notice is given to all participants in this process. The Greek State reserves the right to amend this process if it deems the overall result to be unsatisfactory.

Interested Parties acquire no rights, claims or entitlements for compensation by the Greek State, Olympic Airways and/or the Advisors for any reason or cause related to this invitation.

This invitation has been drafted in the Greek language and translated into English, and in any event the Greek text prevails. Interested Parties should address all enquiries to:

Solomoni Brothers International Limited  
Victoria Plaza  
111 Buckingham Palace Road  
London SW1W 0SB England  
Attention: Mr Justin Symonds, Vice President  
Tel. +44-171-721 1358  
Fax. +44-171-721 6064

ETEBA A.E.  
15-14 Aristidis Avenue  
Athens, 102 36  
Greece  
Attention: Mr George Koussoulidis  
Tel. +301-3286 470  
Fax. +301-3286 253

## PERSONAL VIEW BARRY EICHENGREEN

## Building on a consensus

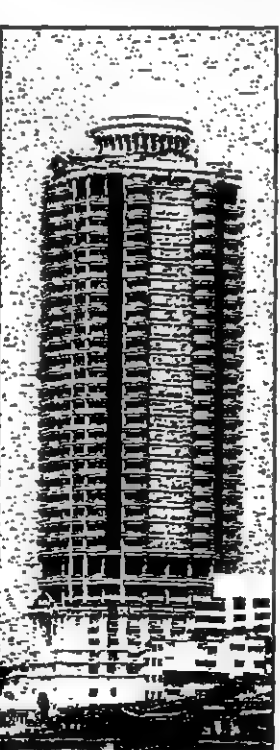
The private sector could play an important role in helping the IMF to set up a new international financial system

The crisis that erupted in Thailand in 1997 left Bangkok's skyline studied by unfinished skyscrapers and half-built architects' dreams. One fears that the same fate will now befall that other set of architects – the ones seeking to rebuild the international financial system. That process now resembles nothing so much as an open competition for a lavish competition. Anyone with a pencil has submitted a plan.

Judges of architectural competitions winnow submissions by rejecting those that fail to conform to the site or exceed the engineering capabilities of the builders. A first step towards a consensus on financial reform is to reject grandiose schemes for which there is no political support.

However, compelling the argument that global financial markets require a global financial regulator, global bankruptcy court, global money, and a global central bank, realism requires acknowledging that national governments are not prepared to turn over significant additional powers to a super-international Monetary Fund. Europe has created a single currency and a European Central Bank only after half a century of hand-slog. It is fantastic to think that this process could be replicated on a global scale in a few years.

What remains is a limited agenda, but an important one. The first element is the need for international financial standards. It is impossible to fix the international financial system without first fixing the domestic financial systems of countries active on international markets. But neither the IMF nor any other multilateral agency has the resources to micro-manage this process in 182 countries. The only practical approach is to develop and adopt international standards of acceptable practice, not just for bank regulation but also for auditing and accounting, corporate governance, and bankruptcy law as well. National practices can differ in their particulars, but all



International financial architecture: let's hope it works

most satisfy a common set of international standards.

In doing this, the lead must be taken by the private sector: by the International Accounting Standards Committee, Committee J of the International Bar Association, and others. The IMF can help enforce these standards by issuing blunt assessments of national practice and offering concess-

that regulators have limited capacity to supervise their actions. In such countries, moreover, capital requirements in theory and capital requirements in practice are two different things. Consequently, revising the Basel Capital Standards to make capital requirements sensitive to the source of banks' funding as well as the riskiness of their investments is unlikely to prove effective.

The basic problem is that free access to foreign finance, short-term finance in particular, is incompatible with financial stability. Foreign funding gives banks gambling for redemption and otherwise seeking to take on excessive risk an additional way to lever up their bets.

Government guarantees for banks regarded as too big to fail encourage foreign investors to provide those funds. And when confidence is disturbed, the short maturity of their loans provides these investors the opportunity to flee. Their rush for the exits can bring down not just the banking system but the currency and the economy as well.

This creates an argument for limiting short-term bank borrowing abroad in countries where banks' risk-management practices and regulatory supervision do not suffice. And where banks can circumvent these measures by having the companies do the borrowing and pass on the proceeds to them, broader measures may

One indisputable lesson of the Brazilian debacle is the need for the vast majority of emerging markets to move to more flexible exchange rates

tionary interest rates on its loans to countries that comply.

A second critical area concerns banks and capital flows. Everyone agrees on the need to strengthen banks' risk management and supervisors' oversight and regulation. But the sad truth is that banks in too many countries have a limited capacity to manage risk and

be required. Financial stability may have to be buttressed by a Chilean-style tax to limit short-term foreign borrowing by all domestic entities. The international community should become an unambiguous advocate of these measures.

A last area where there exists a reasonable degree of consensus is on changing the provisions of loan con-

tracts. Majority voting and sharing clauses should be added to loan contracts to prevent isolated creditors from resorting to lawsuits and other means of obstructing settlements. This is the only practical way of creating an environment more conducive to restructuring negotiations. Unfortunately, this is a process in which no borrower wants to be first. The IMF will have to make clear that it will lend at more attractive interest rates to countries that issue debt securities with these provisions. US and UK regulators should require the relevant provisions of international bonds admitted to trading on their markets.

Finally, it is important for aspiring architects to draw the right lessons from the Brazilian debacle. IMF protestations notwithstanding, one indisputable lesson is the need for the vast majority of emerging markets to move to more flexible exchange rates. Brazil illustrates yet again that, in a world of high capital mobility, democracies cannot credibly attach priority to the maintenance of pegged exchange rates above all other goals of policy.

Brazil is also a blunt reminder both of how few countries have the kind of unquestionably strong policies that might permit the IMF to extend unconditional credits in advance and of how small the Fund's resources remain relative to those of the market. The new "contingent facility" for the IMF, as suggested by the Clinton administration and the Group of Seven, is not a feasible response.

This week's meeting in Davos was yet another occasion for the pundits to fling their pet plans. Most of their ideas are not practical guides for policymakers. The time for this is over. The task now is to move from abstract schemes to concrete action. This means discarding unrealistic proposals and building a consensus around those that remain.

The author is professor of economics and political science at the University of California, Berkeley



## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday February 2 1999

## Dealing with reality

Brazil, after agreeing a programme with the International Monetary Fund, has got itself into a mess. Its defence of the Real peg failed. So too its attempt at a controlled devaluation. The government must now try to rebuild credibility, so that interest rates can fall from unsustainable levels. It needs a new plan, and soon. This should include additional fiscal measures, a reaffirmed commitment to privatisation, and a new anti-inflationary anchor. With these elements in place, it should also involve continuing IMF support.

Having been forced to devalue by market expectations and political failure, the Real is close to 2 to the dollar, a fall of some 40 per cent. Short-term interest rates have been increased to almost 40 per cent. As well as threatening a deep recession, such high interest rates compound the government's central problem: a fiscal deficit, which last year reached 8 per cent of gross domestic product.

Stabilising the fiscal deficit was the central objective of the plan agreed with the IMF to defend the exchange rate peg. High interest rates will cause the government to miss its fiscal targets. Clearly it has broken the exchange rate promise. However, the IMF should agree to disburse the second tranche of the \$4.5 bn international support package. The alternative would send a devastating signal.

This support should depend on

the Brazilian government first coming up with a plan to limit the damage. The first item is fiscal policy. The bulk of the existing plan has now, belatedly, been passed by Congress. The government must ensure its speedy implementation. Furthermore, it should announce new fiscal measures. This would demonstrate its commitment to dealing with the fiscal problem, and help rebuild trust. The unwieldy and unfair state pension system is an obvious target.

Second, the government must reassure the markets that it remains committed to privatisation and an open economy. The privatisation of Petrobras, the state oil company, would be a positive shock to expectations.

Third, Brazil needs a new, credible anti-inflationary policy. A return to high inflation is not inevitable. Indeed, the recession Brazil will suffer this year will keep a lid on price rises. However, high interest rates in part reflect fears that the government will resort to monetisation to meet its short-term domestic debt obligations. To do so would undo the good work of the real plan in taming hyper-inflation.

To ensure that there is no return to the bad old days, Brazil needs a new monetary anchor. One option is a currency board. The other is a transparent inflation target, with the central bank charged with its delivery. Whichever the government chooses, there is no time to waste.

## Home banking

For the giants of European banking there are no easy strategic options at either regional or global level. But in countries where rationalisation has been slow to gather pace there are at least some domestic options that make good sense - witness yesterday's proposal for a merger between Société Générale and Paribas.

The French banking market has been far from an unexciting backwater over the past decade. Yet the natural development of the financial system has been held back by important constraints. The disruptive business of nationalisation and denationalisation complicated the ownership structure. So, too, did the problems of Crédit Lyonnais, where a government-inspired attempt to create a national champion with pan-European ambitions led to disaster.

Against that background the merger of two institutions that inhabit the uncomfortable ground between the big league and the niche players' territory is logical. It follows a similarly domestic merger proposal in Spain between Banco Santander and Banco Central Hispano, respectively numbers one and three in the Spanish banking market. No doubt there will be more single-country consolidation of this kind across the European single market, with economic and monetary union

providing additional impetus.

Yet for the combined groups that simply leaves a larger strategic question. In terms of market capitalisation and gross assets, Société Générale and Paribas rank with the global giants. But they are nowhere much in global investment banking, even though this is an area of historic strength for both institutions.

One risk in a country where the state traditionally entertains ambitions of its own for the leading banks is that the enlarged entity will be encouraged to pursue a cross-border strategy that reflects an outdated national champion philosophy. The outcome might not be as disastrous as at Crédit Lyonnais - that would be difficult - but it would be unlikely to be very successful.

Another risk is that the French may be tempted to follow the Germans in trying to scale the peaks of investment banking in the US. So far this has proved both expensive and fruitless for Deutsche Bank. It is also a route which the big Swiss bank UBS has found very troublesome.

The final, more general risk in continental Europe is that mergers may do little for rationalisation because the legal constraints on shedding labour remain so powerful. The potential of the single market will not be fulfilled if consolidation fails to bring a serious attempt to reduce overcapacity in European banking.

## Metall-bashing

The sound and fury of Germany's annual pay round is upon us, and IG Metall, the mighty engineering workers' union, is back in the front line. The trade union has made an unrealistic demand - 6.5 per cent, when inflation is below 1 per cent, and unemployment (over 4m) may well be on the rise again. The employers have come back with an inadequate response - 2 per cent, with an optional lump-sum extra of 0.5 per cent for "profitable" companies. Now both sides will huff and puff until a compromise is reached. But far too many man-hours will be lost in the process of protest.

It is all rather predictable, and even, one might think, reassuring. But it is also foolish. This is a pay deal which is likely to be the benchmark for most of German industry. Yet it is being conducted according to rules which have outlived their usefulness.

At a time when the trend is towards flexibility in labour markets, both union and employers in Germany's most important industrial complex are locked into a monolithic process of collective bargaining. The result will not reflect the variety of the industries they represent, nor the interests of their workers.

One mistake has been made already: both sides have agreed that wages in east German industries will catch up with those in the west this year, and the same

pay deal will apply. Given the big gap in productivity between east and west, that is wrong-headed, and will not help create new jobs. But it may well be ignored on the grounds that east German figures suggest that only half the engineering companies in the eastern Länder observe national pay deals.

The wage round covers not only the motor industry, which had a good year in 1998, but many other metal-working industries, like shipbuilding, which can scarcely afford the same sort of pay rise. Yet IG Metall is adamant that collective solidarity must be maintained.

A bruising confrontation will certainly not be to the liking of the new German government, which has made an "alliance for jobs" its highest priority. But moderation in the pay round is not helped by memories of pre-election rhetoric from Oskar Lafontaine, now finance minister, who called, little more than a year ago, for an end to pay restraint.

Times change. Mr Lafontaine has to balance his budget now. He is looking at the parallel public sector pay round (wage claim 5.5 per cent) with some concern. Perhaps the most useful thing that the government's alliance for jobs can deliver at this moment is wage moderation, and a willingness to relax the rigid rules of collective bargaining in the longer term.

## Samer Iskandar examines belated moves towards consolidation among French banks and argues that these could herald integration with the rest of Europe

The euro, only a month old, is already shaking up Europe's banking system. Last month saw the \$34bn merger of Santander and Banco Central Hispano in Spain. Yesterday, Société Générale and Paribas said they would follow suit.

The impact of the latest \$17bn merger is likely to be felt beyond France's borders. Not only is the new group, renamed SG Paribas, expected to act as a catalyst for the rationalisation of France's own banking sector, it may also mark the beginning of a broader consolidation across Europe, where, encouraged by the single currency, half a dozen pan-European banks are expected to emerge over the next few years.

Indeed, within minutes of announcing their decision to create France's largest bank, Société Générale and Paribas signalled their intention of looking for new acquisitions.

André Lévy-Lang, who is to become chairman and chief executive of the new group, said there was interest in buying a stake in Crédit Lyonnais, the state-owned bank earmarked for privatisation before the end of June.

French banks have lagged far behind their European counterparts in the consolidation game. According to a report published this month by Moody's Investors Service, the French banking industry is "comparatively less concentrated than in the UK, Switzerland or the Netherlands". No French bank has more than 10 per cent of the country's deposits.

It is therefore likely that SocGen and Paribas are merely taking the first step towards the far more significant repositioning of European banks. "This is just the first step in a long process," said one analyst. "We expect other similar operations before the end of the year."

A decade ago, two French banks - Crédit Lyonnais and Crédit Agricole - were among the world's largest as measured by assets, and SocGen was the biggest participant in the global derivatives market. But having stayed on the sidelines during the international merger frenzy of the past few years, France has lost its seat at the top table of global banking.

In the past couple of years, conditions have changed dramatically. In particular, the euro has highlighted the importance for banks of structuring their activities along pan-European, rather than purely national, lines.

In recent months, signs have emerged that the widely expected shake-up was imminent. A number of foreign banks - including Deutsche Bank, ABN-Amro and



ING of the Netherlands, and Italy's San Paolo-Bmi Bank - have expressed their interest in establishing a foothold in the French market by acquiring, or forging alliances with, French banks.

For some time, though, nothing happened. Potential predators among foreign banks adopted a wait-and-see attitude, with each player, as in a poker game, hoping another will show its cards first.

Several factors help to explain their reluctance to make a big move in France. First, the perceived aversion of the leftwing coalition government to hostile takeovers.

Second, the power of mutually owned and/or state-owned banks. (Crédit Agricole, now the second-largest bank and the largest before yesterday's merger was announced, is mutually owned). Mutually owned banks are under little or no pressure to distribute

earnings in the form of dividends. Some state-owned banks, such as the Caisse d'Épargne savings bank, have a monopoly on savings accounts that pay high-yielding interest rates and make it difficult for commercial banks to compete for savings.

Indeed, other French banks complain of unfair competition from mutuals and state-owned banks.

Third, the privatisation method chosen for Crédit Lyonnais locks up a large proportion of the bank's capital among "friendly partner-shareholders" and makes it all but impossible for a buyer to gain control. The government wants half a dozen banks to take stakes of around 5 per cent each - and leave the current managers in place.

Lastly, there were fears that inefficiencies in the French banking system might be exacerbated by the introduction next year of a shorter working week. Banks are considered to be more vulnerable

than many companies to this change because it is harder for them to change working shifts and patterns to offset the increased costs the law involves.

Last year, however, the pressure on profitability due to cut-throat competition for business between French banks, was lifted - however, temporarily - by the improvement in the economy. With consumer spending and the property market picking up, most banks reported record profits from their retail activities in the first half, offsetting emerging market-related losses.

That forms the background to France's largest banking merger. What might happen now?

Last week, Swiss Life, the insurance company partly owned by UBS, announced it had increased its stake in Crédit Commercial de France, one of France's 10 largest banks, to above 10 per cent. However, Swiss Life, which had

to disclose its intentions under French market regulations, said it had "no intention to take control of CCF".

So with CCF, (which many had seen as a target) considered at least temporarily out of play, attention has turned to Banque Nationale de Paris.

Until recently BNP was SocGen's direct rival in commercial banking. It is still France's third-largest bank but SocGen's merger has opened up a huge gap in size between the two.

"This merger puts BNP in an unsustainable position," says a banking analyst. "It will have to react fast, or risk being marginalised, especially in investment banking."

But what can BNP do? The most obvious move - and still the most likely - is to link up with another large French bank. Along with Paribas and SocGen, BNP has expressed interest in acquiring a sizeable stake (of more than 5 per cent) in Crédit Lyonnais. Analysts believe yesterday's deal could boost BNP's chances over its rivals.

Such a deal might also face little opposition from the government, which is thought to favour domestic alliances over cross-border mergers.

There might still be a problem. Paribas is the only bank in France without a branch network. Any other merger would almost certainly involve job cuts, which could provoke opposition from unions. "SocGen and Paribas made the easiest, most obvious move," says one analyst. "It does not involve any politically sensitive job cuts. Any other tie-up between two French banks will only make sense if it offers potential for cost savings. This means branch closures and staff cuts."

So there is another possibility: BNP might seek a cross-border alliance - a strategy which many analysts consider the more likely. That opens up the possibility of a large foreign bank entering the French banking system.

If that happens, the move might well be a dramatic one. "This government is not likely to allow a bank the size of Deutsche or ING to make more than one French acquisition," says one banker. "So if you have a war chest large enough to win for a bank the size of Crédit Lyonnais, you are not going to waste your only opportunity to enter this market on a second-tier player."

And if a first-tier bank in France is indeed swallowed up by a bank from another European country, the story of French banking will move from domestic consolidation to integration with Europe.

inextricably entwined with national tax regimes and laws that there is very little scope for trans-European products - although the biggest groups such as Axa and Allianz can certainly benefit from centralised asset management.

KeesStrom, chairman of Aegon, the international life assurance and pensions group based in the Netherlands, says the ability to pool asset management is the real significance of Allianz's acquisition of AGF. "If they had believed in euroland they would not have had to acquire that big group - they would have done it from Germany," he says. "But I don't see any French company buying a policy in Germany."

## Euro premier league

Different tax regimes and pension systems are delaying a fuller consolidation of Europe's insurance industry, says Andrew Buller

insurer, the German company said it was keen to secure a prominent market position in France and other euro-zone countries. ING, the Netherlands insurance and banking group, said its acquisition of BSL, the Belgian bank, had given it a second home in Europe.

Last week GE Capital, the financial services subsidiary of US group General Electric, brought together its European consumer insurance and investment activities into a new com-

pany called GE Insurance Holdings, forecasting further considerable consolidation among European insurers. But Merrill Lynch, the investment bank, estimates there are still more than 5,000 insurers.

Consolidation and the launch of the euro are expected to have most impact in markets that are already transnational, such as commercial insurance and reinsurance. Munich Re, the large German reinsurer, has predicted that demand for reinsurance

cover will also increase if the launch of the euro leads to an economic upswing. However, Munich Re believes the euro will also intensify competition.

There is also a growing realisation that a simple consolidation logic cannot be applied easily to potentially profitable areas such as the life assurance and pensions market, which is bound to grow as European governments transfer more of their pensions burden from the public to the private sector. Pensions are so

## OBSERVER

## Claude bags his prey

The big game hunter at the helm of the Société Générale-Paribas deal is another manifestation of the strategical of the Ecole Nationale d'Administration and the Polytechnique on the Paris financial system. Daniel Bouton, SG's chief executive, fits most closely into the traditional mould, graduating from ENA and serving most of his career in the finance ministry. André Lévy-Lang, on the other hand, although a Polytechnicien, jumped quickly into industry before hopping sideways into the distinctly unconventional Compagnie Bancaire.

Still, the two banks have opted for a distinctively French management carve-up. Paris investment bankers explain that French chief executives don't get as much money as their US counterparts, so they have to seek gratification in the power and privileges of the job. That makes it harder for anyone to give ground in a merger. But Paribas and SG have neatly resolved the dilemma by putting the cerebral Lévy-Lang in the top seat for the next three years - with Bouton scheduled to take over in 2002.

Calorie wars  
Carnival season in Germany always takes a bit of explaining. But what, exactly, was John C. Kornblum, the US ambassador in

bank to bank, the same short list stays in power for decades.

But there are pitfalls in viewing the Société Générale-Paribas deal as another manifestation of the strategical of the Ecole Nationale d'Administration and the Polytechnique on the Paris financial system. Daniel Bouton, SG's chief executive, fits most closely into the traditional mould, graduating from ENA and serving most of his career in the finance ministry. André Lévy-Lang, on the other hand, although a Polytechnicien, jumped quickly into industry before hopping sideways into the distinctly unconventional Compagnie Bancaire.

Still, the two banks have opted for a distinctively French management carve-up. Paris investment bankers explain that French chief executives don't get as much money as their US counterparts, so they have to seek gratification in the power and privileges of the job. That makes it harder for anyone to give ground in a merger. But Paribas and SG have neatly resolved the dilemma by putting the cerebral Lévy-Lang in the top seat for the next three years - with Bouton scheduled to take over in 2002.

Laugh a minute  
The annual banquet of The Bankers Club is becoming a London showcase for candidates for the presidency of the European Central Bank. Last year, Wim Duisenberg, then still unconfirmed in the job, set out to deliver "the dullest speech

Born, doing in yesterday's mass-market Bild newspaper, dressed as a cowboy and clinging to Heidi Simons, the bewigged prime minister of Schleswig-Holstein?

Kornblum was getting this year's "award against deadly seriousness", given annually by Aachen carnival organisers to prominent individuals "for showing true humour and humanity in his or her public position". He rose to the occasion by threatening an ambassadorial blockade of the Bonn government quarter if Joschka Fischer, the slimline Green foreign minister, insisted on pushing his personal regime of vegetables and jogging on to the diplomatic corps.

Kornblum said that "no first use" might be a suitable strategy for nuclear weapons "but with creme fraiche, it's out of the question". There was further belligerent talk of ambassadors hanging on to their "arsenal of Cognac, smoked salmon and steaks". Heaven knows how he explained it all in a telegram to Washington.

Tea strainer  
Is it tea-time for Londoners? Tea and coffee seller Whitard of Chelsea wants to knock the froth off those painfully trendy coffee bars that seem to have claimed the capital's streets. But Rod McKie, the managing director who counts the beans at Coffee Republic, says Whitard is selling more coffee than tea at its first "bar" in London's Baker Street. He reckons tea will never be in vogue because no one knows what to do with the bag. Observer will have to let that one stew.

imaginable", on the widely held premise that the last thing anyone expected from a central banker was excitement. He didn't disappoint; laughter was as rare as a benevolent banker.

Last night, the guest speaker was Bank of France governor Jean-Claude Trichet, whose desire to relieve the lugubrious Dutchman of his Frankfurt duties still burns deep within him. But bankers also know better than to expect a fun-packed speech from Trichet.

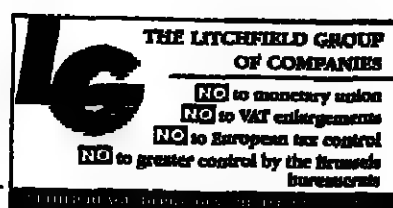
Though Observer can confirm that he is, on occasions, verging on the jovial, it appears that Trichet and Yves-Thibault de Stigny, the French EU commissioner, have only one euro joke between them. Both men used it during last year's Washington conference. At least it wasn't about Duisenberg.

## Financial Times 100 years ago

The Viceroy Speaks  
In the course of his reply to an address presented by the Calcutta Trades Association, Lord Curzon, the Viceroy of India, said: "I am certainly of the opinion that English money should be attracted to India. The Government should do what lies in its power to encourage such a movement. The opposite theory which has been argued, namely that the employment of British capital constitutes a drain on the natural resources of the country, I regard as a mischievous delusion. I consider that British and native capital is needed for the development of India. Native capital is shy, and requires to be coaxed. It is not yet habituated, at least in Bengal, to large ventures."

50 years ago  
Foreign Capital in India  
Calcutta, Feb. 1. On the eve of the new session, it looks doubtful whether the Indian Parliament will get through the agenda of seventy Bills scheduled for debate. It is understood that the Premier himself will make an early statement on the future role of foreign capital in India, and the indications point to a more liberal and realistic treatment of this subject.





# FINANCIAL TIMES

TUESDAY FEBRUARY 2 1999



## THE LEX COLUMN

### Parisian Société

If ever a deal was likely to reinvigorate the moribund French banking sector, this was not it. Société Générale has gone after scale not quality by taking over Paribas. Putting the two together will not create a more powerful institution. SG and Paribas overlap mainly in investment banking, where the combination will make them world number five in a few product areas like derivatives and trade finance - hardly pulse-racing stuff. More worryingly, as Paribas has no branch network, the deal also fails to do anything about France's over-competitive domestic banking market. Elsewhere in Europe, banks are merging to cut costs in their retail networks. The inability of French banks to follow suit is becoming a handicap.

The deal does promise some synergies: €800m in annual pre-tax cost savings from merging the two groups' non-French investment banking businesses. But investors are suspicious of this figure because of fears that cutting investment banking costs will also hit fees. In addition, although SG is saying the right thing by promising to reduce the amount of capital tied up in investment banking, it plans to spend the released capital on acquisitions rather than returning it to shareholders. These factors - coupled with prior bid speculation - may explain why the value of the combined group barely budged.

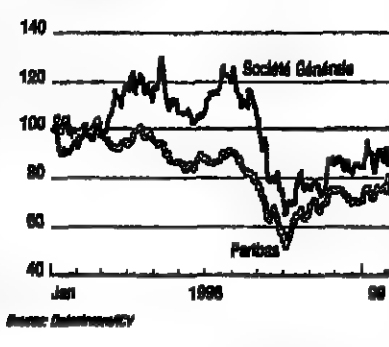
SG may have done the wrong deal but it still seems better off than rival Banque Nationale de Paris, which is now left without a partner. But help could be at hand for BNP: the government could give it a big role in Credit Lyonnais's privatisation to prevent it from falling too far out of contention.

#### GRE/Sun Life

As auctions go, it has been a sad tale. After much huffing and puffing, Sun Life and Provincial - and its French parent, Axa - are paying less than 35p a share for GRE. In theory, Eureka should return with a cash bid of 35p. But as it has yet to conduct due diligence and would have to pinch Axa's buyer for the US business, this looks a long shot. Royal & Sun Alliance also seems to be shrugging its shoulders. Of course, this could change if the winner's shares keep sliding.

#### French banks

Share prices relative to CAC 40 index



ing, RSA can reflect that there is some justice in the world. It must some scepticism over its plan to buy GRE, despite the obvious industrial logic; compare its £150m mooted savings with Axa's \$20m. Sun Life's 9 per cent share price fall yesterday showed the market's displeasure at a dilution of its life assurance core, and some concern at the challenge it faces in improving GRE's flagging profits. But Sun Life's shares have merely been debunked from 25 times book value, RSA's were struggling even to match it.

The price obtained for GRE does not look impressive. GRE may point to a net asset value of 283p a share to make the multiple look respectable at close to 1.4 times. But this admits to destroying nearly £500m of value last year in its health insurance and US acquisitions, whereas Axa appears to have sold the latter for close to what GRE paid. Axa looks set to enhance its reputation for buying shrewdly at GRE's expense.

#### UK economy

Recession, what recession? That could be the attitude of the Bank of England's monetary policy committee when it meets later this week. After all, the economy did not shrink in the final quarter of 1998 - contrary to the dire predictions of some. And last week's Confederation of British Industry survey shows business is not quite as pessimistic as it was about growth. So there is no point in cutting rates, is there?

Hold on a moment. The economy may

well not be in reverse. But it is, at best, spluttering along and the recovery in sentiment is fragile. Equally important, businesses are even more gloomy about their ability to raise prices than they are about output. Witness yesterday's record low reading on prices in the Purchasing Managers' Index.

True, underlying retail price inflation did poke its head above the 2.5 per cent target in December. But deflationary tendencies remain and, on a medium-term basis, inflation looks like underperforming its target. Add in the fact that sterling has recently strengthened and that base rates of 5 per cent are perhaps 1 percentage point above the level consistent with a neutral monetary policy - another half point cut looks appropriate.

#### Caterpillar

If Glen Barton has any qualms when he takes over as the new boss at Caterpillar this week, he can console himself that the task confronting his predecessor was much more daunting. Donald Fites took up the reins in 1990, when the world's biggest maker of heavy earthmoving equipment was desperately trying to overhaul its manufacturing operations in the face of acute competition from Japan's Komatsu and a domestic market plunging into recession. Today, the situation is less serious, and the financial strength and underlying productivity at Caterpillar have improved. Still, there are enough short-term worries to have pegged the shares for the best part of two years.

While the US construction market remains healthy, price competition is developing in key lines, such as backhoes. And while the farm sector's woes have a modest direct impact, they could hurt the group's Perkins Engines subsidiary. Brazil and its possible domino effect on Latin America, is less important to the company than the Asian crisis, but it is hardly helpful.

Perhaps Mr Barton's best hope is that Asia is beginning to bottom out, while US demand remains reasonable. That way, Caterpillar may get away with the 10-15 per cent earnings decline analysts are forecasting for this year. But with so much scope for slippage if events go awry, the shares, even on a forward ratio of only 18 times earnings, do not look attractive.

## US manufacturers bounce back as Europe shrinks

By Richard Adams in London

European manufacturing continues to shrink - in sharp contrast to the US where manufacturers are staging a recovery at home and abroad, according to surveys published yesterday.

The figures also show that deflation within Europe may soon become apparent, with the price of materials paid by manufacturers continuing to fall.

Surveys of manufacturing purchasing managers in Germany, the UK, Italy and Switzerland all reported continued contractions in output and orders in the sector.

In contrast, the US National Association of Purchasing Managers' index saw activity rebound sharply last month.

The German, Italian and UK figures add fuel to calls for lower interest rates. The European Central Bank (ECB) and the Bank of England both hold meetings on Thursday to set monetary policy.

A majority of analysts expect the

UK's monetary policy committee to cut rates, while weekend comments by Wim Duisenberg, president of the ECB, cast doubt on a euro-zone cut this week.

Mr Duisenberg said rates would need to be cut only if there was a persistent fall in the level of prices in the euro-zone. But a further fall in the German index of prices paid by manufacturers suggested deflation may not be far away.

The German index fell 89.3 in December to 37.4 last month, well below the "break even" index level of 50. Any reading under 50 implies activity is contracting.

"This is fuelling fears that Germany is close to deflation," said Robert Lind, a European economist at ABN Amro investment bank.

The UK index also showed a rapid fall in the prices paid by companies for supplies. The Chartered Institute of Purchasing and Supply said its prices index was 32.3 in January, its lowest level in the survey's seven-year history.

"This was largely attributed to greater discounting by suppliers,

both domestically and overseas, with prices being driven lower by weaker global demand and the excess supply of many goods," the institute said.

The UK index showed a slight improvement in the decline in output and export orders, but quantity of purchases and employment contracted at a faster rate.

The German data also recorded a slower rate of contraction in output and export orders, but employment weakened further after a recovery in the previous two months.

In the US, Norbert Ore, chairman of the national association, said the rapid jump showed manufacturers were optimistic about a recovery in the sector this year.

Production and new order figures in the US last month both moved from well below the "break even" in December - to 53.1 and 51.3 respectively.

Analysts said the increase was helped by growth in exports, which rose from 44.7 to 48.8.

See Lex

## Clinton is set for struggle with Congress over \$1,770bn budget

By Gerard Baker and Deborah McGregor in Washington

President Bill Clinton yesterday promised "a new era of opportunity" when he unveiled next year's budget, forecasting more than \$2,400bn (£2,700bn) in surpluses over a decade and opening a fierce struggle with Republicans over how to spend the money.

Announcing the \$1,770bn budget plan for the next fiscal year, Mr Clinton outlined proposals for strengthening the Social Security retirement fund and shoring up Medicare, the federally funded health insurance plan for the elderly.

He also proposed billions of dollars in new spending on defence, education and on domestic programmes ranging from child care to the environment.

Sending his budget to Congress for the year starting this October, Mr Clinton hailed an historic turnaround from the run of federal deficits stretching back to the 1960s.

"Last year for the first time in three decades, we turned red ink to

black," he said. "Our economic house is in order and strong."

The presidential plan is the opening bid in the annual budget process. Mr Clinton's proposals require approval by a Republican-led Congress that has shown little appetite for his fiscal priorities.

Though they have indicated support for measures to save Social Security, Republicans have already made clear their wish to see across-the-board cuts in income tax rates, which would return more than \$600bn to taxpayers over a decade.

Pete Domenici, chairman of the Senate Budget Committee, said: "I believe American taxpayers have given us more of their money than we need, and we should return it to them."

Mr Clinton reiterated his commitment to restoring Social Security and Medicare by devoting about three-quarters of the federal surpluses to them.

He proposed spending about 10 per cent of the surplus on new individual retirement accounts that would subsidise workers wishing to set

aside further funds for retirement. He suggested reserving the final portion of the surplus - about 11 per cent - for "pressing national needs" including education, other domestic priorities and maintaining military readiness.

Mr Clinton called for more than three dozen targeted tax relief measures, totalling \$36.2bn over five years. For families, there was a proposed \$1,000 tax credit to help cover the costs of caring for a disabled or chronically ill relative.

The continuing improvement in the US federal government's fiscal position stems from a number of economic, legislative and technical factors that have bolstered revenues and restrained spending.

Strong growth, low unemployment, low inflation and a surging stock market have been the main economic factors, while lower defence costs and a succession of budgets that have kept spending in check have also helped.

Forecasts pave the way to fiscal bliss, Page 6

## CONTENTS

### News

European News	2,3
American News	8
International News	6
Asia-Pacific News	4
World Trade News	7
UK News	10,12
Weather	20

### Features

Editorial	19
Letters	18
Technology	14
Observer	19
Art	17
Art Guide	17
Analysis	18,19

### People

Crossword Puzzle	32
Companies & Finance	
European Company News	24
Asia-Pacific Company News	26
American Company News	22
International Capital Markets	30

### Markets

Bonds	30
Stock futures and options	30
Short term interest rates	31
US interest rates	30
Currencies	31
Money markets	31
FTSE-100 World Indices	36
Europe	29
World stock markets reports	42
World stock market listings	38
London share service	35,37
FTSE Actuaries UK share indices	36
Recent issues, UK	36
Dividends announced, UK	26
Managed funds service	33-35
Commodities	32
FTSE Gold Mines Index	36



Directory of online services via FT Electronic Publishing

FT.com provides the Financial Times with the latest news, comment and analysis.

The Global Archive is easy-to-use business library of over 2.5 million articles from the FT and from thousands of other leading newspapers and business publications.

http://www.ft.com

Newspaper subscription information, rates and order ordering.

http://www.ft.com/newspaper/subscribe.htm

FT Asset Reports Service: online ordering of annual or interim reports and accounts of 1300 UK plc.

http://www.ft.com/ftassetreports/2000.htm

FT Group directory

http://www.ft.com/groupdirectory.htm

CityLink: how to get share prices and market reports by telephone and fax.

http://www.ft.com/citylink/017179.htm

Surveyor: details of forthcoming editorial surveys.

http://www.ft.com/surveyor/020200.htm

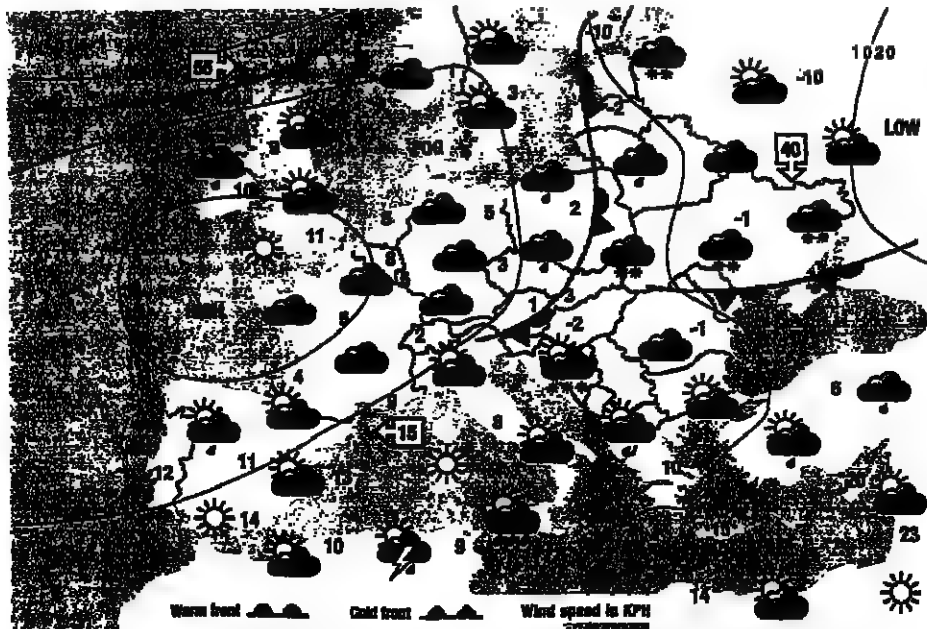
## FT WEATHER GUIDE

### Europe today

Scandinavia will be warmer than recently with further outbreaks of snow in the north but rain in the west. Southern areas should be dry and sunny after early mist or fog. The Baltic States and eastern Europe will see snow spreading east; a few showers will be scattered across the Balkans and northern Greece. The Mediterranean will be chilly with heavy showers or thunderstorms but the Iberian Peninsula will become dry. North-west Europe will be mostly dry and a little milder than recently.

### Five-day forecast

The warming trend will continue across north-west Europe, with rain only pushing southwards towards the weekend. In Scandinavia there will be rain but more snow in the north. Eastern Europe will stay cold with fog patches but snow showers will return later in the week. The Mediterranean will remain showery and cool for a few days.



Situation at midday. Temperatures maximum for day. Forecasts by FT WEATHER CENTRE

TODAY'S TEMPERATURES			Sun 22			Mon 23			Tue 24			Wed 25			Thu 26		
Abu Dhabi	Sun	24	Abu Dhabi	Sun	24	Abu Dhabi	Sun	24	Abu Dhabi	Sun	24	Abu Dhabi	Sun	24	Abu Dhabi	Sun	24
Aden	Sun	24	Aden	Sun	24	Aden	Sun	24	Aden	Sun	24	Aden	Sun	24	Aden	Sun	24
Algeria	Sun	24	Algeria	Sun	24	Algeria	Sun	24	Algeria	Sun	24	Algeria	Sun	24	Algeria	Sun	24
Amman	Sun	24	Amman	Sun	24	Amman	Sun	24	Amman	Sun	24	Amman	Sun	24	Amman	Sun	24
Antananarivo	Sun	24	Antananarivo	Sun	24	Antananarivo	Sun	24	Antananarivo	Sun	24	Antananarivo	Sun	24	Antananarivo	Sun	24
Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24
Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24	Asmara	Sun	24
Bahrain	Sun	24	Bahrain	Sun	24	Bahrain	Sun	24	Bahrain	Sun	24	Bahrain	Sun	24	Bahrain	Sun	24
Bangkok	Sun	24	Bangkok	Sun	24	Bangkok	Sun	24	Bangkok	Sun	24	Bangkok	Sun	24	Bangkok	Sun	24
Bombay	Sun	24	Bombay	Sun	24	Bombay	Sun	24	Bombay	Sun	24	Bombay	Sun	24	Bombay	Sun	24
Buenos Aires	Sun	24	Buenos Aires	Sun	24	Buenos Aires	Sun	24	Buenos Aires	Sun	24	Buenos Aires	Sun	24	Buenos Aires	Sun	24
Calcutta	Sun	24	Calcutta	Sun	24	Calcutta	Sun	24	Calcutta	Sun	24	Calcutta	Sun	24	Calcutta	Sun	24
Cairo	Sun	24	Cairo	Sun	24	Cairo	Sun	24	Cairo	Sun	24	Cairo	Sun	24	Cairo	Sun	24
Cardiff	Sun	24	Cardiff	Sun	24	Cardiff	Sun	24	Cardiff	Sun	24	Cardiff	Sun	24	Cardiff	Sun	24
Chennai	Sun	24	Chennai	Sun	24	Chennai	Sun	24	Chennai	Sun	24	Chennai	Sun	24	Chennai	Sun	24
Colombo	Sun	24	Colombo	Sun	24	Colombo	Sun	24	Colombo	Sun	24	Colombo	Sun	24	Colombo	Sun	24
Dakar	Sun	24	Dakar	Sun	24	Dakar	Sun	24	Dakar	Sun	24	Dakar	Sun	24	Dakar	Sun	24
Dhaka	Sun	24	Dhaka	Sun	24	Dhaka	Sun	24	Dhaka	Sun	24	Dhaka	Sun	24	Dhaka	Sun	24
Dubai	Sun	24	Dubai	Sun	24	Dubai	Sun	24	Dubai	Sun	24	Dubai	Sun	24	Dubai	Sun	24
Durban	Sun	24	Durban	Sun	24	Durban	Sun	24	Durban	Sun	24	Durban	Sun	24	Durban	Sun	24
Dublin	Sun	24	Dublin	Sun	24	Dublin	Sun	24	Dublin	Sun	24	Dublin	Sun	24	Dublin	Sun	24
Edinburgh	Sun	24	Edinburgh	Sun	24	Edinburgh	Sun	24	Edinburgh	Sun	24	Edinburgh	Sun	24	Edinburgh	Sun	24
Geneva	Sun	24	Geneva	Sun	24	Geneva	Sun	24	Geneva	Sun	24	Geneva	Sun	24	Geneva	Sun	24
Hong Kong	Sun	24	Hong Kong	Sun	24	Hong Kong	Sun	24	Hong Kong	Sun	24	Hong Kong	Sun	24	Hong Kong	Sun	24
Jaipur	Sun	24	Jaipur	Sun	24	Jaipur	Sun	24	Jaipur	Sun	24	Jaipur	Sun	24	Jaipur	Sun	24
Jakarta	Sun	24	Jakarta	Sun	24	Jakarta	Sun	24	Jakarta	Sun	24	Jakarta	Sun	24	Jakarta	Sun	24
Johannesburg	Sun	24	Johannesburg	Sun	24	Johannesburg	Sun	24	Johannesburg	Sun	24	Johannesburg	Sun	24	Johannesburg	Sun	24
Karachi	Sun	24	Karachi	Sun	24	Karachi	Sun	24	Karachi	Sun	24	Karachi	Sun	24	Karachi	Sun	24
Kuala Lumpur	Sun	24	Kuala Lumpur	Sun	24	Kuala Lumpur	Sun	24	Kuala Lumpur	Sun	24	Kuala Lumpur	Sun	24	Kuala Lumpur	Sun	24
Laos	Sun	24	Laos	Sun	24	Laos	Sun	24	Laos	Sun	24	Laos	Sun	24	Laos	Sun	24
London	Sun	24	London	Sun	24	London	Sun	24	London	Sun	24	London	Sun	24	London	Sun	24
Los Angeles	Sun	24	Los Angeles	Sun	24	Los Angeles	Sun	24	Los Angeles	Sun	24	Los Angeles	Sun	24	Los Angeles	Sun	24
Lyon	Sun	24	Lyon	Sun	24	Lyon	Sun	24	Lyon	Sun	24	Lyon	Sun	24	Lyon	Sun	24
Madrid	Sun	24	Madrid	Sun	24	Madrid	Sun	24	Madrid	Sun	24	Madrid	Sun	24	Madrid	Sun	24
Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24
Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24
New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24
New York	Sun	24	New York	Sun	24	New York	Sun	24	New York	Sun	24	New York	Sun	24	New York	Sun	24
Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24
Paris	Sun	24	Paris	Sun	24	Paris	Sun	24	Paris	Sun	24	Paris	Sun	24	Paris	Sun	24

Manama	Sun	24	Manama	Sun	24	Manama	Sun	24	Manama	Sun	24	Manama	Sun	24	Manama	Sun	24
Medan	Sun	24	Medan	Sun	24	Medan	Sun	24	Medan	Sun	24	Medan	Sun	24	Medan	Sun	24
Mexico City	Sun	24	Mexico City	Sun	24	Mexico City	Sun	24	Mexico City	Sun	24	Mexico City	Sun	24	Mexico City	Sun	24
Moscow	Sun	24	Moscow	Sun	24	Moscow	Sun	24	Moscow	Sun	24	Moscow	Sun	24	Moscow	Sun	24
Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24	Mumbai	Sun	24
Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24	Nairobi	Sun	24
New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24	New Delhi	Sun	24
New York	Sun	24	New York	Sun	24	New York	Sun	24	New York	Sun	24	New York	Sun	24	New York	Sun	24
Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24	Osaka	Sun	24
Paris	Sun	24	Paris	Sun	24	Paris	Sun	24	Paris	Sun	24	Paris	Sun	24	Paris	Sun	24
Perth	Sun	24	Perth	Sun	24	Perth	Sun	24	Perth	Sun	24	Perth	Sun	24	Perth	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24
Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24	Port of Spain	Sun	24
Port Moresby	Sun	24	Port Moresby	Sun	24	Port Moresby	Sun	24									







## COMPANIES &amp; FINANCE: THE AMERICAS

BROADCASTING GRUPO TELEVISA HOLDING COMPANY REACHES DEAL TO CUT LIABILITIES BY \$733m

## Televiscentro agrees debt restructuring

By Henry Tricks in Mexico City

Televiscentro, the holding company of Grupo Televisa, Mexico's largest broadcaster, announced yesterday it had agreed with creditor banks on the restructuring of \$1.27bn of debt, thereby reducing its liabilities by \$733m.

Televisa's shares surged in early trading on news of the agreement, which was likely to end speculation that Emilio Azcárraga Jean, Televisa chairman, would be forced to

sell part of his Televiscentro holdings to a strategic partner to pay off debts.

Instead, he struck a deal with creditors to capitalise \$213m of Televiscentro's debt and transfer it to them in trust. Analysts said this would temporarily weaken his control, but he has a four-year option to repurchase the shares at a premium to the initial capitalisation price.

Another \$290m of debt belonging to an indebted Televiscentro subsidiary,

Grupo Alameda, was released by the unwinding of a share repurchase agreement due to mature beginning in 2001. Alameda's capital stock would be sold to a Televisa subsidiary for \$230m, the company said. This would also be applied directly to debt reduction, it said.

The remaining \$533m in liabilities would be rolled over into new Televiscentro debt, with maturities of three to five years. The debt would be backed by Televis-

centro stock, with principal and interest payable at maturity.

As well as acquiring Alameda, whose sole assets are 4.19 per cent of Televisa shares and net operating losses of \$30m, Televisa said it would also launch a \$50m share repurchase programme and establish a stock option plan for executives.

Media analysts welcomed the agreement, saying it was not dilutive of Televisa's shares. It would also free Mr

Azcárraga Jean from the grip of his creditors, which he has been in since he inherited the company and its debts at the age of 29 on his father's death in 1997.

Televisa had planned a secondary share offering to repay bridge loans from US banks, but its ambitions were thwarted last year by financial-market turmoil in the wake of the Asian crisis.

Last November, Mr Azcárraga Jean announced that

US creditors Goldman Sachs and Chase Manhattan Bank had sold their stakes rather than take part in the restructuring.

At that time, Mr Azcárraga Jean said Televiscentro's main Mexican creditors were local banks Banamex, Bancomer and Inbursa, the latter having bought \$70m of Televiscentro-related debt from Goldman Sachs. Santander Investment, the US-based Spanish bank, was leading international creditors.

## NEWS DIGEST

## PHARMACEUTICALS

## Warner-Lambert names new chief without delay

Warner-Lambert surprised Wall Street with its timing of a change at the top yesterday, putting Dutch-born Lodewijk de Vink at the helm of the US pharmaceuticals and consumer products group.

The switch came as Melvin Goodes, chairman and chief executive since 1981, said he would stand down at the end of April, shortly after his 64th birthday and a year before the company's normal retirement age.

Though the timing was a surprise, the identity of Mr Goodes' successor was not Mr de Vink, who had been a senior executive at rival Schering-Plough until 1988, has been Warner-Lambert's president and chief operating officer for eight years.

Mr de Vink, who became an American national in 1991, inherits a company which is in far better health than it had been during much of Mr Goodes' tenure. Patent expiries on some of its biggest drugs and slower growth in consumer products had left it lagging its industry. However, two new blockbuster drugs have reignited the group's growth and share price in the past two years, and Mr de Vink, 53, said his ambition was to push it into the industry's top league. Richard Waters, New York.

## HEALTH INSURANCE

## Aetna ahead 29% in term

Aetna, the largest US health insurer, yesterday recorded a 29 per cent increase in fourth-quarter operating earnings to \$184.5m, as it continued to recover after the initial difficulties integrating its 1996 acquisition of US Healthcare.

Aetna US Healthcare showed a 40 per cent increase in operating earnings, excluding unusual items, from \$87.6m to \$122.6m. Aetna's retirement services division, which covers pension fund management, also saw a strong increase, from \$42.6m to \$50.4m. Aetna International, the vehicle for the company's aggressive strategy of investing in general insurance and other financial services groups in developing economies, saw a 25 per cent increase in operating earnings, from \$35m to \$43m.

While the results were better than expected, Aetna's shares fell sharply in early trading, down almost 4 per cent or \$3.42 at \$86.33. John Authers, New York.

## AEROSPACE COMPONENTS

## Eaton in \$1.7bn buy

Eaton, the US industrial group, yesterday agreed to buy Aeroquip-Vickers, which makes aerospace and automotive components, for \$58 a share or a total of \$1.7bn - its largest acquisition to date. Eaton said it planned to issue stock later this year to generate about \$400m to help pay for the deal.

Eaton, which had 1998 sales of \$6bn, said it bought Aeroquip-Vickers because it wanted to become global leader in mobile hydraulics.

The deal should have no impact on Eaton's 1998 earnings but is expected to add \$1 a share to profits in three to five years, Eaton said. Aeroquip-Vickers shares jumped 20% to \$55.54 in early trading, while Eaton shares were down 5% at \$86.33. Reuters, Cleveland.

## NCI plans offering this year

By Paul Taylor

NCI, the California "information appliance" software group, plans an initial public offering this year, provided market conditions for internet-related technology stocks remain favourable, said Michael Kertzman, chief executive.

Mr Kertzman, who joined the group three months ago from Sybase, the database company, as president and chief executive, was in London negotiating deals for NCI's set-top box software which enables cable operators to offer subscribers internet access and other interactive services.

Earlier this month NTL, the third-largest UK cable television group, said it was launching an internet TV service using NCI's software on analogue set-top boxes.

NCI was set up in 1996 with backing from Oracle, the database and business software group, to develop software for the next generation of information appliances. The company has spent over \$100m developing its eNavigator software.

Shareholders include Oracle, Netscape, Acer America, NEC, Nintendo, Sega and Sony and most of NCI's 280 employees. NCI has yet to pick financial advisers for its flotation.

## Aircraft maker is rocked by currency turbulence

John Barham and Richard Lapper examine how the Real's devaluation has affected Embraer, the Brazilian aviation group

A row of gleaming new jets stands in the harsh sunlight of São José dos Campos, home base of Embraer, one of the world's most successful regional aviation companies. Painted in the livery of some of the fastest-growing airlines in North America and Europe, Embraer's elegant jets should ensure that the company can cruise comfortably above Brazil's economic turmoil.

The devaluation of the Real, which has lost over 40 per cent of its value since January 18, should help privately owned Embraer, which has almost all its revenues in dollars but adds half the value of its aircraft locally. In Reals, But Mauricio Botelho, chief executive, says Embraer also stands to suffer from devaluation and from Brazil's diminished international stature: "Devaluation hit the credibility of the country and this makes it harder to sell aircraft."

Access to capital, a major problem for many Brazilian companies, has become more difficult as interest rates rise at home and abroad. Finance Shareholders include Oracle, Netscape, Acer America, NEC, Nintendo, Sega and Sony and most of NCI's 280 employees. NCI has yet to pick financial advisers for its flotation.

Like most Brazilian com-

panies, Embraer's debt is manageable, but devaluation has still increased the cost of servicing its \$370m net external debt. And devaluation makes it harder to find fresh capital to develop new aircraft, such as a planned 70-

**Access to capital, a big problem for many Brazilian companies, has become more difficult as interest rates rise**

to 80-seat jet airliner which, Mr Botelho says, will cost about \$500m to develop.

He says: "In the very short term, there will be an advantage from [devaluation], but I do not know about the medium to long term. We are paying higher taxes and paying significantly more for loans and this will impact on prices." Instability makes it very difficult to decide the cost of something that will be delivered in three years.

The company has shelved plans to raise equity through an international share offer. However, it is still looking for a "strategic ally" to take a stake in the company.

Saab Aerospace is a frequently mentioned name. This partner would share development costs, give Embraer added marketing "clout" in external markets, and improve its access to the international financial system. Embraer's net indebtedness of 99 per cent of shareholdings equity in September 1998 was high by Brazilian standards.

Brazil's economic crisis has cast a shadow over a company which emerged from virtual insolvency as a state-owned company four years ago to become a significant force in a competitive international market.

Two Brazilian state pension funds and Banco Bofa Simonsen, a leading banking and industrial group, bought 88 per cent of Embraer from the government in December 1994. Mr Botelho, a top Bofa Simonsen executive, turned the company around by backing at costs, raising productivity six-fold, selling more aircraft and virtually betting the company on a new product, the EMB-145, a 60-seat jet designed for the regional aviation market.

While former giants such as Fokker fell by the wayside, Embraer grew to become the fourth biggest aircraft-maker in the world, claiming 45 per cent of the international regional jet air-



An Embraer EMB-145 of the Continental Express fleet AP

craft market. Analysts expect 1998 revenues of more than \$1bn and return on equity above 30 per cent.

Mr Botelho says: "The concept of a regional jet was a breakthrough in the industry." Until the early 1990s most airlines used turbo-prop aircraft on short routes. Embraer and Canada's Bombardier, its main competitor - discovered that Embraer now has \$4.5bn in firm orders for its aircraft plus \$4.5bn in options.

Canada has filed a complaint on Bombardier's behalf at the World Trade Organisation, claiming that Brazil's government subsid-

ises Embraer's export finance. Brazil has filed a counter-claim that Bombardier receives covert government aid. The WTO is expected to rule in March.

Mr Botelho's decision to build the EMB-145 saved Embraer. He says defiantly that "Embraer is the only company below the equator to control the full [aircraft manufacturing] cycle from conception to manufacturing. We are here to stay."

But the Real's collapse makes it all the more urgent to find a strategic partner, without which developing a successor to the EMB-145 will become even harder.

## NTC offers internet telephony short-cuts

By Alan Cane

Networks Telephony Corporation, an El Segundo, California start-up, is offering a short-cut to companies eager for access to commercial-quality internet telephony.

Yesterday it launched in the US and Europe products aimed at internet service providers and smaller ("second tier") telecommunications operators. One product makes it possible to make a phone call over the internet from a personal computer; another routes calls over the internet between conventional landlines.

Calls over the internet are significantly cheaper than conventional long-distance and international calls, because of differences in pricing structures and the lower cost of switching equipment. The ability to offer internet telephony in addition to conventional internet access is attractive to many service providers.

NTC offers its customers "turnkey" (ready to use) installations, saving substantially on the cost and time which would have to be invested in building an internet telephony system from scratch.

Where NTC differs from other internet telephony companies is in its use of the private global network owned by Infonet Services Corporation to carry its customers' traffic.

Quality, as a result, is equivalent to conventional calls, with none of the delays or distortion which mar internet telephony over the public switched network.

Most of NTC's senior staff come from Infonet, an international network owned by a group of national operators including KDD of Japan, Telia of Sweden and Telstra of Australia. Infonet has provided much of the seed capital to establish the company.

NTC's investment bankers are raising up to \$50m in a round of financing due for completion in the summer.

NTC is now focusing on Europe rather than the US because it believes Europe's higher international call prices offer it opportunities.

## ARGENTINA DEAL CREATES BIGGEST IN THE SUPERMARKET SECTOR

## Exxel and Promodès buy Tía chain for \$630m

By Ken Wern in Buenos Aires

Exxel, the Argentine private equity fund, and Promodès, the French retailer, are to form Argentina's biggest supermarket chain with the purchase of the privately owned Tía chain for \$630m.

Tía's operations will be merged with those of Supermercados Norte, which the two groups already own. They said yesterday. The combined chain will have annual turnover of some \$3bn and 123 outlets with a total 254,000 sq m of sales space, Exxel said.

Exxel and Promodès aim to invest a further \$600m in the combined chain over the next three years, opening about 60 stores.

The sale of Tía has been under negotiation for several months, with Exxel and Promodès long seen as the likely buyers.

However, the price tag has not been cut as a result of the regional economic

uncertainty unleashed by Brazil's devaluation last month.

International retail chains such as Wal-Mart of the US and Ahold of the Netherlands have entered the Argentine market in force in recent years, attracted by the country's highest per capita income and the local industry's high degree of fragmentation, especially in food retailing.

Promodès entered the market last September, paying \$420m for 49 per cent of Norte, but leaving Exxel in management control.

The wave of investment has produced a high level of modernisation and consolidation, with smaller chains absorbed by the bigger groups.

Sales growth has also come at the expense of traditional retailers, such as street-corner grocers.

"Many of the world's top supermarket groups are fighting over the Argentine turf," said Christopher

Eccleston, head analyst at the Buenos Aires Trust Company.

"It was a very underdeveloped market, but now many Argentine supermarkets are as modern as those in the US. Pressure on margins is bound to get worse."

Of the country's biggest supermarket chains, only two - Coto and Patagonia - remain under Argentine control.

Coto has a strong grip on the underpopulated south, where vast distances and logistical problems have deterred the international chains.

Exxel operates a series of private equity funds, whose investors include big US institutional investors.

It suffered a setback last month when its efforts to buy branded foods group Molinos Río de la Plata from grains multinational Bunge International were thwarted by a last-minute bid from Argentina's wealthy Peres Companie family.

## Rohm &amp; Haas acquires Morton in \$4.6bn deal

By Richard Waters in New York

Rohm & Haas yesterday unveiled a \$4.6bn acquisition that would make it the largest pure specialty chemicals company in the US.

The Philadelphia-based company said it had agreed to buy Morton International, based in Chicago, whose products range from salt to specialty adhesives and materials for the semiconductor industry.

The acquisition comes against a difficult background for the specialty chemicals producers, as falling prices have squeezed margins and forced a round of cost-cutting.

However, Rohm & Haas has one of the better records on slicing its costs and a relatively unencumbered balance sheet, putting it in a sound position as the industry consolidates.

Morton's \$2.5bn of revenues will lift Rohm & Haas's annual sales to \$6.5bn, making it the largest pure specialty chemicals company in a fragmented industry, though still behind the specialty divisions of DuPont and Dow Chemical.

The two companies said the combination would make them the biggest or second-biggest producer in a range of chemicals. These include specialty adhesives for packaging, tape and labels; certain types of powdered coatings; and products for makers of semiconductors and circuit boards, where the enlarged company will derive 15% of its sales.

The deal would boost Rohm & Haas' range of products and international reach, putting it in a stronger position to follow customers as they expanded globally, said Lawrence Wilson, chairman.

The merger would produce

cost savings of \$200m a year, in addition to the \$50m-\$60m a year Rohm & Haas has said it would cut by next year, the companies said.

Under the terms of the deal, Rohm & Haas will pay \$37.4 a share for Morton, two-thirds of it in cash and the remainder in stock.

The stock portion is subject to a collar, with a maximum of around 1.33 shares, and a minimum of about 1.05, being offered for each Morton share. Rohm & Haas will also assume Morton's \$268m of net debt.

The deal would boost Rohm & Haas' debt-to-equity ratio to 80 per cent, but was not expected to hurt its single-A credit rating, said Lawrence Wilson, chairman.

Morton's stock jumped 38% on the news to \$35.54, while Rohm & Haas shares edged down 5% to \$30.75.

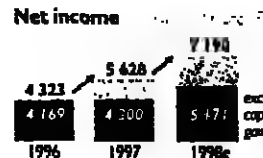
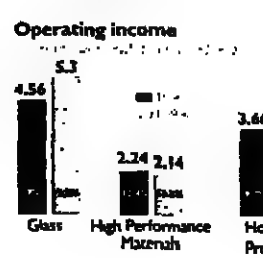
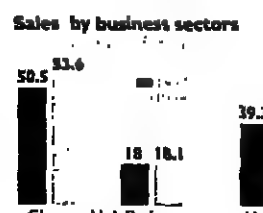
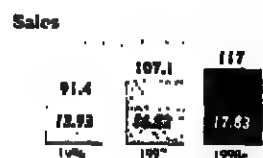
See Lex

## SAINT-GOBAIN

1998 ESTIMATED EARNINGS  
7.2 BILLION FRENCH FRANCS  
OR 1.1 BILLION EUROS (+27.8 %)

With a 9.2 % growth in sales and a 27.8 % increase in net income, the Saint-Gobain Group reached and even exceeded its forecasts of growth and profitability for 1998.

SALES: + 9.2 %



Sales amount to FRF 14,117 million (EUR 1,730 million), against FRF 12,930 million (EUR 1,632 million) for the same period in 1997, showing an increase of 9.2 %. Sales are split as follows: France: 37.7 %, other European countries: 29.7 %, America and Asia: 32.6 %.

## THREE BUSINESS SECTORS

These satisfactory performances of Saint-Gobain are the result of the strategy of development and profitability improvement followed by the Group in its three business sectors: Glass, High Performance Materials and Housing Products.

## OPERATING INCOME + 11.5 %

At FRF 11,651 million (EUR 1,476 million), operating income accounts for 10 % of sales. Profitability increases in all major geographical areas, especially in Europe, thanks to the Group's commercial achievements as well as productivity gains.

## NET INCOME + 27.8 %

Net income amounts to FRF 5,625 million (EUR 1,096 million) against FRF 4,333 million (EUR 858 million) in 1997, an increase of 27.8 %. It includes profits on disposals of cross shareholdings made during the year. Excluding profits on disposals, consolidated net income increased by 20.2 %.

Sales  
+ 9.2 %

Operating Income  
+ 11.5 %

Net Income  
+ 27.8 %

Earning per share  
+ 26.2 %

**"The Saint-Gobain Group forecasts, for 1999, a strong increase in its earnings per share, both before and after capital gains."**

Investor Relations Department  
Tel: France - F 02 39 65 15 00  
Phone: 33 (0) 2 39 65 15 00  
Internet: <http://www.saint-gobain.com> E-mail: [investor@stgobain.com](mailto:investor@stgobain.com)  
Rue de la République  
92000 Nanterre



## APPENDIX

## **-Lambert names not without delay**

[illegible]

## Insurance

ahead 29% in terms

[illegible]

## THE COMPONENTS

## In \$1.7bn buy

[illegible]

**Promodès**  
**in for \$630m**

[illegible]

## ans acquires \$4.6bn deal

[illegible]

The access point for Europe is in 3.4 million homes.  
[And quite a few board rooms too.]





## COMPANIES &amp; FINANCE: EUROPE

MERGERS INTRODUCTION OF THE NEW EUROPEAN CURRENCY IS LEADING TO CLOSER LINKS BETWEEN FINANCIAL INSTITUTIONS

## Consolidation in banking picks up speed

By George Graham, Banking Editor, in London and Tony Barber in Frankfurt

Within a month of the birth of the euro, consolidation in European banking is gathering speed.

Hot on the heels of last month's merger of Spain's Banco Santander and Banco Central Hispano to form BSCH comes the takeover by Societe Generale of its French neighbour, Paribas.

In both cases, top managers said the new European currency had changed the rules of the game - and the general message that consolidation is happening contributed to a general rise in bank shares across Europe yesterday.

With a combined market capitalisation of €30bn (\$43bn), the new French group suddenly reaches a size that enables it to play in the same league as banks such as BSCH, and to look down, in size terms, on such established European institutions as Deutsche Bank, Banco Bilbao Vizcaya and ABN Amro.

But the SG Paribas merger also carries more specific implications for the shape of European financial services, because of the web of cross-shareholdings and joint ventures the deal sets up.

Daniel Bouton, who will become vice-chairman and chief executive of the new group, said he was open to combinations with most European banks, but warned it was much too early to speculate on the form these links might take.

Much of the web involves French institutions, where the mechanics of the financial relationship are overlaid by the personal links that characterise the closed world of the Paris financial elite.

In a central position stands Axa, the French insurance giant built up by Claude Bebear which will end up as the largest institutional shareholder in the new group, with 3.81 per cent. Axa also holds a stake in Banque Nationale de Paris, France's other leading commercial bank.

The deal could complicate the picture for the privatisation of Credit Lyonnais. SG Paribas would still like to be a core shareholder, but in its enlarged form may be a less attractive proposition for Credit Lyonnais management. There will, at the least, be an operational link in Credit Lyonnais' association with Paribas' consumer finance unit, Cetelem.

But the ramifications spread wider. Europe's largest insurance group, Allianz of Germany, will end up with a stake of 3.49 per cent in SG Paribas through the majority holding it acquired last year in the French insurer AGF. Allianz has no aspirations to become a bank, but it is keen to build up a global asset management business to complement its insurance activities.

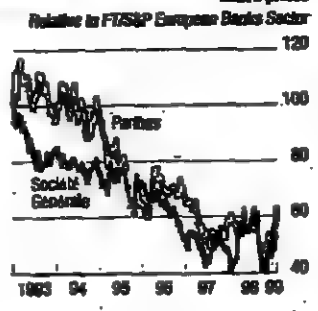
The French merger could also have effects in Italy, where Paribas holds a stake in Banca Commerciale Italiana while SocGen has a toehold in Unicredit. This could nudge BCI towards Unicredit, in preference to a proposed deal with Banca di Roma to which BCI objects.



Societe Generale's chairman Daniel Bouton (left) and Paribas' chairman of the executive board Philippe Citerne

	Societe Generale	Paribas	SG Paribas
Total assets	€804.0bn	€275.0bn	€1,079.0bn
Shareholders' equity	€10.2bn	€9.9bn	€20.1bn
Net income	€10.7bn	€6.4bn	€17.1bn
Gross revenues	€10.0bn	€5.7bn	€15.7bn
Net income	€1.1bn	€1.0bn	€2.1bn
Return on equity	11.2%	11.0%	11.2%
Number of employees	87,000	21,000	108,000

Source: company



## Generation gap strengthens unlikely pairing

André Lévy-Lang's reluctance over mergers was overcome by an 'almost perfect' fit and an absence of executive sparring

By Clay Harris, Banking Correspondent

Late last year, André Lévy-Lang was distinctly sceptical about mergers. "I think one tends always to underestimate the cost and the effort in management time and sometimes to overestimate the benefits," the Paribas chairman mused.

"The easy part is saving on costs," he said then in an interview with the Financial Times. "Maybe it's the toughest to accomplish from a human standpoint, but technically it's easy to identify the costs. The toughest part is integrating the businesses and the culture and the customer."

Yesterday, as reality replaced hypothesis, Mr

Lévy-Lang and Daniel Bouton, his Societe Generale counterpart and heir-designate at the new SG Paribas, were keen to stress that this was a merger that could - and would - work.

"We share the same culture and the same values," Mr Bouton said. "The fit was almost perfect."

He and Mr Lévy-Lang argued that SG and Paribas overlapped far less than any other putative domestic partner for either. Even in investment banking, the area of greatest overlap, SG's strength in derivatives was complemented by Paribas' in fixed-income.

Nonetheless, job cuts will be necessary and the banks said any mandatory redundancies would fall on the 45

per cent of their 78,000 worldwide staff who work outside France.

Within France, the banks said attrition and early retirement could achieve the necessary reduction.

They steered clear of naming any numerical targets

**In investment banking SG's strength in derivatives was complemented by Paribas' in fixed-income**

for staff cuts.

The banks used the recent few weeks of active negotiations - "building on old contacts," Mr Lévy-Lang said - to determine who would run what business, hoping to forestall the jockeying for

positions that has bedevilled other mergers.

The quest for certainty started at the top. Mr Lévy-Lang, 61, has agreed to stand down in 2002 as chairman and chief executive of SG Paribas, in favour of Mr Bouton, 48, who will be vice-

chairman and chief executive until then.

The executive generation gap and Mr Bouton's willingness to bide his time may have reinforced the pairing-off. With other prospective partners headed by execu-

tives closer to Mr Lévy-Lang's age, a hard choice might have had to be made immediately.

They and four senior executive vice-presidents - Philippe Citerne and Patrick Duverger of SG, and Jean Clamon and Bernard Muller of Paribas - will oversee integration.

At the divisional level, Mr Duverger will head investment banking, potentially the most contentious area, backed up by his SG colleagues Xavier Debonneville and Philippe Blavier of Paribas. Elsewhere, Paribas executives will head specialised financial services (Philippe Wahl), proprietary investments (Alain de Sene) and real estate (Michel Clair).

SG's Mr Citerne will head

asset management and banking services and supervise the retail banking business headed by Didier Alx for the Societe Generale network and Bruno Filchy for Credit du Nord, the business Paribas sold to SG in 1997.

Paribas' imminent reunion with Credit du Nord gives another indication of how Mr Lévy-Lang's time has changed.

Later last year, outlining a strategy of seeking "market segments in which we think we can have a leadership position", he specifically excluded "traditional retail banking".

He said: "We would have to have very strong reasons to go back there." The chance to merge with SG apparently met the test.

## Byblos buy hastens Lebanese bank mergers

By James Schofield in Beirut

Consolidation of Lebanon's banking sector took a step forward yesterday, as Byblos Bank, one of the country's five biggest, bought Banque Libanaise pour le Commerce (BLC), creating a business with a market capitalisation of about \$840m.

It also positions Byblos Bank to become the first Lebanese bank to buy beyond its borders to tap the large expatriate business communities in the United Arab Emirates. "We are very happy to increase our activities in Lebanon, to spread them out across the region and to increase our presence in the United Arab Emirates," said Francois Bassil, Byblos Bank chairman and chief executive.

The new banking group is the biggest in Lebanon in

terms of shareholders' equity, market capitalisation and number of branches. It will be slightly smaller than the country's largest bank in terms of assets, Banque du Liban et d'Outre-Mer, with total assets valued at more than \$4.4bn.

The deal values BLC at an estimated \$220m. The Aboujaoudé family, which owned 62.8 per cent of BLC, will sell its stake for \$189m, while other shareholders will be offered Byblos stock at a ratio of one for every seven BLC shares. Two Aboujaoudé family members are expected to join the board of directors.

The most significant in a wave of recent acquisitions, the deal will give Byblos Bank a total of 82 branches in Lebanon, total deposits of \$3.28bn and loans of \$1.37bn. Felix Jean Aboujaoudé,

chairman and chief executive of BLC, said shareholders of both banks would benefit. "Size is becoming increasingly important for the banks in the region if they wish to withstand competition from the global marketplace."

BLC, a relatively large bank for Lebanon, has a profitable and well-capitalised business, with extensive retail banking services and a good portfolio of corporate loans.

The deal will also be seen as part of the trend away from Lebanon's traditional network of small, family-owned and under-capitalised banks.

Bassam Yammine, a senior official at Lebanon Invest, an investment bank, said BLC had been moving in the direction of loosening family control.

FLOTATION INVESTORS TO BE OFFERED 62% OF GROUP IN IPO

## Neopost set to list in Paris with €600m tag

By Vincent Soltes

Neopost, Europe's largest maker of mailroom equipment, is to list on the Paris stock exchange later this month in an initial public offering that will value the company at about €600m (\$681m).

The IPO will see 62 per cent of Neopost floated. It is the latest in a line of French equity offerings expected this year, which includes a strong showing by private sector companies as well as government-sponsored privatisation deals.

A price range of €18.50 to €23.50 was set yesterday for the 17.8m Neopost shares being offered to French and international investors, valuing the transaction at between €331m and €421m.

Trading in the shares is due to start on the main market of the Paris bourse on February 18. Warburg Dillon Read, the investment bank, is global co-ordinator for the offering.

BC Partners, the European venture capital group that took control of Neopost in

1997 when it bought out other shareholders, is cutting its stake in the company through the IPO from 66 per cent to 15 per cent.

Management is to cut its stake from 21 per cent to 14 per cent, and Credit Agricole, the French bank, will reduce its ownership from 10 per cent to 5 per cent.

Neopost, which claims the number two position in the global market for mailing systems behind Pitney Bowes of the US, was spun off by Alcatel, the French technology group, in 1992 in a leveraged buy-out.

The company had net sales of FF2.4bn (€368m, \$418m) in 1997 and earnings before interest and tax of FF447m. In the nine months to October last year, sales reached FF1.9bn, and Jean-Paul Villot, chairman and chief executive, said sales in fiscal 1998, which ended on Sunday, were expected to reach FF2.6bn.

France accounts for 48 per cent of Neopost's revenues, the US for 38 per cent, and the UK for 13 per cent.

Mr Villot said the aim was

to increase revenues by 5 per cent annually over the next three years, with a targeted margin before interest and tax of 18-20 per cent of net sales.

Apart from its 70 senior managers, who will own the 14 per cent stake, the IPO includes a tranche of shares aimed at employees, and a stock option plan is to be put in place this year.

TNT Post Group, the acquisitive Dutch postal and express company, yesterday unveiled its first Portuguese takeover in the form of Transjato, a small parcel delivery service, writes Jeremy Gray in Amsterdam.

The move comes after its purchase in December of Jet Services, the mid-sized French courier service for FF22m (€306m, \$346m). The Dutch group, which began serving Portugal in 1995, said the purchase of the 16-year-old Transjato - which TNT described as Portugal's leading express service - would extend its reach in the country.

Terms of the deal were not disclosed.

## PetroFina: 1998 year results



PetroFina's share of unaudited recurrent (\*) Group income for 1998 was 572.6 million euros (BEF 23.1 billion), compared to 567.7 million euros (BEF 22.9 billion) in 1997. The unaudited Group income was 471.1 million euros (BEF 19.0 billion) compared to 547.8 million euros (BEF 22.1 billion) in 1997. The results were negatively affected by inventory write downs of BEF 8.3 billion after tax and by accelerated depreciation of BEF 2.4 billion, partly offset by gains on asset sales of BEF 3.3 billion, as well as other non recurrent income.

PetroFina's share of cash flow amounted to 1,403 million euros (BEF 56.6 billion) as opposed to 1,365.5 million euros (BEF 55.1 billion) in 1997.

During the year, in Europe, refinery throughput increased by 6.6%, exceeding the previous record, and sales in the Fina network grew by 6.4%. These operating performances were achieved in a macro-economic climate marked by a collapse of crude oil prices by some 33%, by a reduction of almost 20% in the price of American natural gas, by a stabilisation in the dollar exchange rate, and by contrasting developments in refining margins, a modest rise in Europe and a sharp fall in the US.

Upstream profits declined markedly following

the decline in crude oil and natural gas prices and as a result of production difficulties at the start-up of Ekofisk II, in the Norwegian sector of the North Sea.

Downstream profits were stable compared to 1997, the 27% increase recorded in Europe being offset by the effect of lower refining margins in the US.

Chemical results were down slightly, resisting well against the general reduction of margins, due to a 7% increase in volume of monomers produced and to the quality of the products and services of its polymers activity.

The merger of PetroFina and Fina, Inc., its American subsidiary, became effective on 5 August 1998. This simplifies the Group structure and enables growth to be achieved in a transatlantic context.

On 1 December 1998, five shareholders in PetroFina announced their intention to sell all their PetroFina shares to Total (41% of the share capital) in order to create the Total Fina group, which will become the third largest petroleum concern in Europe and the fifth largest in the world. On 14 January 1999, the general meeting of Total shareholders approved this transaction as well as the principle of a public offer to exchange PetroFina shares on the basis of nine Total shares for two PetroFina shares. This project was submitted for approval to the European and American competition authorities, and should be completed in the second quarter of 1999.

The entire press release is available at the Barclays Bank plc, 8 Angel Court, Throgmorton Street, London EC2R 7HT and on our website <http://www.fina.com>.



52 rue de l'Industrie, B-1040 Bruxelles

Notice to the Bondholders of  
**Autolink Concessionaires (M6) plc**  
Class B1 11.27 per cent.  
Subordinated Secured Bonds due 2022

Pursuant to Clause 5(a) of Schedule 4 Part B of the Trust Deed dated 21st Mar. 1997, under which the above bonds were issued, notice is hereby given as follows:

The Final B1 Redemption of the trust price of each Class B1 Bond falls due for payment on 28th February, 1999.

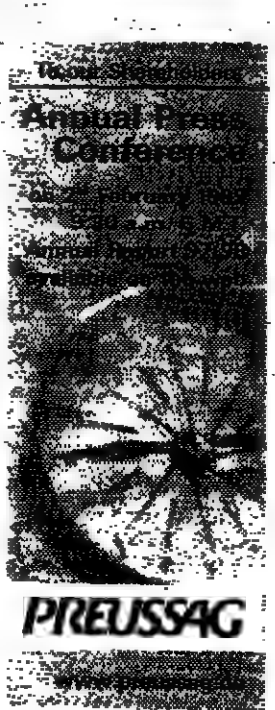
Payment shall be made to the account held by Autolink at the Bank of Scotland (part code 12-01-01, Account No. 80129309) by 11.00 am (London time) on the 28th February, 1999 in accordance with the terms of the Trust Deed.

28th February, 1999 Autolink Concessionaires (M6) plc

**CIB Central-European International Bank Ltd.**  
Budapest

as the Fiscal Agent of the Floating Rate Bonds due 1999 issued by the European Bank for Reconstruction and Development,

informs the Bondholders that the Rate of Interest for the Interest Period between 5 February 1999 and 5 August 1999 is 17.63% p.a., while the Coupon Amount for a Bond of face value of HUF 100,000 is HUF 8,740.



## Stinnes makes offer for BTL

By Tim Burt in Stockholm

Stinnes, the German freight haulage company, yesterday announced plans to create Europe's largest transport and logistics group by launching a SKr3.3bn (\$423m) bid for BTL, the Swedish transport company.

Shares in BTL jumped 36 per cent to SKr44.70 in Stockholm following the "friendly approach" by Stinnes, a subsidiary of the Veba industrial group.

It signals the latest consolidation in the haulage and logistics sector, which gathered pace last month when Deutsche Post, the German post office, bid SFr1.5bn (\$1.06bn) for Danzas, the Swiss freight group.

Stinnes already has close links with BTL, and 18 months ago became its largest shareholder by acquiring 35 per cent of the capital and 49.9 per cent of the voting rights.

If BTL shareholders accept the full takeover bid - worth SKr45 a share - the enlarged group will become the world's second largest sea freight company and the fourth largest handler of air cargo.

BTL senior management broadly welcomed the Stinnes approach, but declined to make a formal

recommendation before completing an internal study of the offer.

Nevertheless, Hakan Larsson, BTL chief executive, said: "Full co-ordination will allow us to capitalise on the synergy effects more quickly and increase the potential to improve profitability even further."

Mr Larsson is expected to become head of the enlarged group's land-based operations, responsible for some 20,000 employees and annual sales of SKr30bn.

The deal is expected to pave the way for a flotation of Stinnes by Veba, which has already signalled it could sell 49 per cent of the subsidiary through a institutional placing in the first half of this year.

BTL, meanwhile, yesterday reported pre-tax profits up from SKr40m in 1997 to SKr506m, on sales that rose from SKr18.1bn to SKr19.1bn in 1998. Earnings per share rose from SKr3.30 to SKr3.55.

The company said that demand for transport and logistics services had weakened in the fourth quarter following the economic turmoil in south-east Asia and Russia, but predicted that benefits from its partnership with Stinnes would contribute to increased profits this year.

## NEWS DIGEST

## AUTOMOTIVE INDUSTRIES

## Fiat offered \$13bn to buy all of Volvo operations

Fiat offered \$13bn to acquire the entire Volvo group, double the amount Ford is proposing to pay for the Swedish car division, Italian bankers said yesterday. Although there have been widespread reports that the Italian automotive group had offered Volvo only \$7bn for all its operations, Fiat had put on the table a substantially higher bid, the bankers said.

The disclosure of the substantial Fiat bid risks having repercussions on the agreed Ford-Volvo car deal, which has yet to be approved by Volvo shareholders. The bankers suggested Fiat was still hoping Volvo shareholders might persuade the Swedish company to reconsider the Ford deal, thus reviving Fiat's chances in the bidding.

Volvo, which is planning to put the Ford offer to shareholders next month, declined to comment on the value of Fiat's putative offer.

Senior Volvo officials confirmed that the company had been in talks with other automotive groups, but reiterated that the proposed SKr50bn (\$6.4bn) disposal of the car division would be recommended to shareholders. Some leading institutional investors in Sweden said yesterday Fiat should make a formal tender offer.

Paolo Fresco, new Fiat chairman, said on Friday that Fiat was interested in acquiring not just the Volvo car division but the entire Swedish group. But given the shareholder revolt that souped Volvo's planned merger with Renault of France in 1993, some fund managers warned a Fiat bid would have little chance of succeeding unless the Italian group secured irrevocable support from large institutions before putting a cash offer to the Volvo board.

Paul Betts, Milan, Tim Burt, Stockholm

## OIL MERGER

## Regulator calls for more data

Oil companies Total and Petrofina have withdrawn notification of their planned merger from the European Commission's antitrust authorities and will renounce the deal later, the Commission said yesterday. An official said it needed more data to assess the full impact of the acquisition and eliminate any competition concerns. Total of France confirmed that the Commission, which vets all mergers over a certain size, had asked for more information on the issue of storage, particularly in France. Emma Tucker, Brussels

## 'ELF AFFAIR'

## FFr1.5bn 'embezzled'

At least FFr1.5bn (€229m, \$280m) was embezzled from Elf Aquitaine, the French oil company, between 1999 and 1993, Philippe Jaffré, chairman, said yesterday. Elf investigations into some of the company's dealings in this period have been going on for some years in what has become known as the "Elf affair", which involved alleged embezzlement by former employees. David Owen, Paris

NOTICE OF EARLY REDEMPTION  
To the Holders of  
Österreichische Bundesbankguthaben  
(the "Notes")  
Yen 19,900,000,000  
Guaranteed Floating Rate Notes due 2005  
Irrevocably guaranteed by  
The Republic of Austria  
(the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to Condition 6.2 of the Terms and Conditions of the Notes all of the outstanding Notes will be redeemed by the issuer on March 18th, 1999 (the "Redemption Date"). The issuer will redeem the Notes at their Principal Amount together with interest accrued to the Redemption Date. Upon the Redemption Date interest on the Notes shall cease to accrue and shall become void and no payment shall be made in respect of them. The Notes are being redeemed pursuant to the provisions of the Agency Agreement dated as of December 18th, 1993 between the issuer and Citibank, N.A.

Fiscal Agent  
Citibank, N.A.  
36 Canine Street  
London EC4A 3DF

Payable Agent  
Barings International Ltd. (incorporated in England)  
85, rue de la Loi  
L-1050 Luxembourg

Österreichische Bundesbankguthaben  
Österreichische Bundesbank  
Österreichische Bundesbank  
Österreichische Bundesbank  
Österreichische Bundesbank

Dated: February 2 1999



Issued by Morgan Stanley & Co. Limited, regulated by the Securities and Futures Authority Limited. Morgan Stanley Dean Witter is a service mark of Morgan Stanley Dean Witter & Co.

[illegible]



## COMPANIES &amp; FINANCE: ASIA-PACIFIC

STEEL YOO SANG-BOO SAYS PREDECESSOR'S PROJECTS COULD PRESENT OBSTACLES TO SMOOTH PRIVATISATION

## Chairman attacks Posco investment record

By John Burton in Seoul

Yoo Sang-boo, chairman of Pohang Iron & Steel (Posco), has criticised his predecessor for making poor investments, totalling nearly \$4bn, under political pressure.

Mr Yoo warned that the investments could "pose obstacles for a smooth privatisation" of the world's second largest steel maker, which made record profits of Won1,190bn (\$933m) in 1998. The state is expected to sell

its remaining 21.6 per cent stake in Posco this year.

The remarks by Mr Yoo related to Kim Mahn-je, who served as Posco chairman for five years until March 1998 and expanded the steel-maker's operations in a quest to become the world's biggest producer.

Among the projects that Mr Yoo criticised were the construction of a new blast furnace and mini-mill facility in Korea, a mini-mill investment in Indonesia and

Posco's entry into mobile telecommunications with a leading stake in Shinsegil, a cellular phone operator.

Mr Yoo also regarded as "a mistake" Posco's decision in 1997 to buy production facilities from debt-heavy Sammi Steel in a futile attempt by the government to prevent its bankruptcy.

Mr Kim was the first outsider to head Posco and was appointed by Kim Young-sam, then Korean president, after he sacked Posco's

founder, Park Tae-joon, in what was regarded as a political vendetta.

The appointment last year of Mr Yoo, who joined Posco in 1970, marked a return to the company's tradition of relying on a cadre of long-serving executives to manage the steelmaker.

Posco would sell some of the troubled facilities or operate them through ventures with foreign or domestic partners, said Mr Yoo.

It is already cutting pro-

duction capacity from 26.5m tonnes in 1997 to 24.2m tonnes this year to prevent a fall in steel prices caused by overcapacity.

Analysts have praised Posco for its focus on core businesses and for avoiding the reckless diversification that caused other Korean businesses to struggle under a mountain of debt.

It is one of Korea's most financially sound companies, with a debt-to-equity ratio of 85 per cent against 400 per

cent for most other big Korean conglomerates.

Analysts expect Posco's earnings performance to improve when privatisation is completed. "The state has used Posco to subsidise the Korean manufacturing sector by limiting price increases for steel. Posco will now be able to charge market prices for its products, which should improve profits," said Mr Hwang Kidoo, steel analyst for W.I. Carr in Seoul.

## Beijing to split state aircraft maker in two

By James Harding in Shanghai

China's huge state-owned aircraft manufacturer will be divided into two competitive corporate groups, as Beijing continues to break up industrial monopolies to boost efficiency in the state sector.

Aviation Industries of China (Avic), which employs 500,000 people, will be divided into two groups both engaged in the production and sale of military and civilian aircraft, the China Daily Business Weekly reported.

The break-up of Avic, which follows a similar restructuring of the state petroleum and chemicals industry last year, "reflected the central government's strategy of creating an effi-

cient competitive business environment", the report said.

The restructuring also reflects the need for fundamental changes at Avic for the struggling state-owned aircraft maker to compete in the international aerospace industry.

Last year, Avic's ambitions of becoming a competitive commercial jet manufacturer were seriously dented when plans for joint-venture manufacturing with foreign partners of two commercial jet models were shelved because of weak demand from China's domestic airlines.

Avic has set out an aggressive programme of redundancies, cutting its workforce by 150,000 - one-fifth of



Zhu Yuli: two new groups will both 'compete and co-operate' to wrest domestic airlines' business from the likes of Boeing (right) Reuters

the total - over the next three years in an effort to improve efficiency and boost profitability. One of the issues likely to hamper the proposed division of the company will be the handling of the redundancies

and responsibility for welfare payments.

Avic will be broken into two distinct groups, with administrative functions handed over to the State Commission of Science, Technology and Industry for

National Defence, according to the report.

The proposed division of the group, which has a wide range of component businesses including 100 large and medium-sized enterprises, 30 research institutes

and seven state-funded laboratories, is under consideration by the State Council, China's cabinet.

Zhu Yuli, Avic president, said: "The two groups will both compete and co-operate."

## Japan life insurers break with tradition to fight back

Struggling sector aims to revive fortunes through mergers, stock market offerings and direct marketing, writes Naoko Nakamae

As much of Japan's vast life insurance sector grapples with the bleak business environment and contemplates the introduction of new legislation and an examination by the Financial Supervisory Agency, the sector's watchdog, four domestic life insurers are pointing the way forward.

The recent tie-up between two mid-size life insurers - Tokyo-based Taiyoh Mutual and Osaka-based Dai-ichi Mutual - highlights the pressures emerging in the ¥190,000bn (\$1,634bn) sector, and in a break with corporate tradition, Mitsui Life last year became the first Japanese mutual life insurance group to announce its intention to become a listed company.

At present, almost all of Japan's largest life insur-

ance groups are mutual groups. Several groups are also looking at keeping costs down by marketing their products directly rather than via the traditional network of agencies.

The alliance between Taiyoh and Dai-ichi aims to take advantage of the former's strength in the retail business and the latter's in the small corporate business. With combined assets of about ¥12,350bn - which would make the merged group the fifth largest life insurer in Japan - the two are considered the strongest and best-capitalised companies in the second-tier range.

"The life insurance market is close to saturation," says Taiyoh president, Masahiro Yoshikawa. "I don't think companies will be able to survive with single business lines any more. But it's hard to

carve out new niches; that's why we thought it better to tie-up with a company with well established strengths in other areas."

The announcement was hailed by analysts. "It's a

**'I believe listed status will stand us in better stead for the next 50 years - it will be easier to raise capital'**

pretty good move," said Robert Garone, non-bank financial analyst at Dresdner Kleinwort Benson.

Taiyoh and Dai-ichi have high solvency margins of 873 per cent and 1,017 per cent respectively, well above the industry average of 360 per cent. But they have also been plagued by non-performing assets, plunging

stock and land prices, and the appreciation of the yen.

"This fiscal year-end will be a tough one for our industry, as many companies will be writing off bad loans. Fiscal 1999 should be a much

better reflection of individual life insurers' health," Mr Yoshikawa said.

Mr Yoshikawa said he was also seriously considering transforming Taiyoh's status from a mutual to a listed company when the government introduces legislation in the sector.

"Becoming a listed company will enhance management mobility. Although we've been a mutual company for the past 50 years or so, I believe listed status will stand us in better stead for the next 50 years. It will be easier to raise capital and by meeting the higher disclosure requirements, I hope it will also raise our credibility," says Mr Yoshikawa.

Traditional life insurers, such as Taiyoh and Dai-ichi have also been weighed down by expensive cost structures. But as Big Bang deregulation gets under way, several foreign and domestic life insurers have started to market directly.

The format has proved a success for Orix Life, a small life insurance company which is part of the Orix Group, Japan's largest leasing company. Orix Life says that its direct marketing sales have

seen steady growth since it was launched in September 1997.

"Direct marketing is starting to take root in Japan," says Shinobu Shiraiishi, president of Orix Life. "Obviously, advertising is our biggest cost, but we're already making a small profit [under US SEC accounting rules] in the direct marketing business. And the demand isn't coming from any particular demographic - it's a pretty even distribution."

Orix Life's interim report in September showed it had more than doubled its new individual life policies year-on-year.

Taiyoh's Mr Yoshikawa is also enthusiastic about direct marketing. "We plan to try direct marketing together with Dai-ichi as well," he says.

## NEWS DIGEST

## INDONESIA

## Rise in tariffs gives boost to telecoms industry

Telekomunikasi Indonesia (Telkom) and its foreign partners, which include US West and Cable and Wireless, won a last-minute boost to revenues for February after the government approved an increase in tariffs. Telkom indicated last week that it believed the government would not agree to its request for an average increase of 24 per cent. But on Friday it appeared it had received at least this much, as rates for long-distance calls jumped 28.57 per cent, local calls went up 24.14 per cent and subscription rates rose between 9.7 and 17.8 per cent.

Telkom had said a 24 per cent increase would lift revenues by 13 per cent. But the company had said it needed an increase of 42 per cent to compensate for the foreign exchange losses of \$400m in off-shore debt, if calculated at an exchange rate of Rp8,000 to the dollar.

Telkom is majority-owned by the state, but its public shares hang heavily on the Jakarta Stock Exchange Index and are listed in New York as well.

Sander Thoenes, Jakarta

## SINGAPORE

## New investors for VSIP

Vietnam Singapore Industrial Park attracted 11 fresh investment projects worth US\$35m in 1998 despite falling foreign investments into the country generally.

VSIP said yesterday that the new investors included Japan Storage Battery, Nitto Denko Corporation, Dai-nippon Ink & Chemicals, Fraser & Neave, Super Coffee, Gold Roast Food Industry, Star Chemical, Sunlight Electrical, New Toyo International and Unza Group of companies.

The company said it had 83 confirmed investment projects worth \$380m since its groundbreaking in May 1996. VSIP, located about 17km north of Ho Chi Minh City in Binh Duong province, said it would start the construction of the second phase spanning some 190 hectares in different sub-phases. The first phase of 124 hectares was completed in late 1998.

It said the outlook was difficult but it would focus on attracting companies from the US and Europe and selectively from Japan.

VSIP is a joint venture between an eight-member Singapore consortium led by Sembawang Resources, a unit of SemCorp Industries, and Vietnamese state-owned Becamex. Reuters, Singapore

## China groups' debt default rate rises

By James Harding

The credit squeeze in China appears to be putting a serious strain on a wide range of businesses, leading to defaults on overseas debt and domestic corporate debt.

Officials yesterday confirmed that six state-owned groups in the wealthy southern province of Guangdong had failed to meet payments on about RMB500m (\$60m) of maturing debt.

The problems facing borrowers on domestic markets suggests that the liquidity pressures that have troubled Chinese companies with overseas exposure are taking hold at home.

The largest problem was with Maoming Acrylic Fibre, which was unable to repay principal on debt of more than RMB100m. The debt matured late last year, according to officials.

All the groups that have run into difficulties repaying debts are owned by Guangdong provincial government, which also owned Guangdong International Trust and Investment Corporation (Gitic).

The abrupt closure of Gitic, which filed for bankruptcy last month with debts of \$4.37bn predominantly to foreign lenders, has caused a dramatic deterioration in lenders' confidence in Chinese risk and, in particular, in the strength of support for enterprises backed by the Guangdong government.

Fujian International Trust and Investment Corporation (Fitic) has been forced to undertake a radical restructuring to meet foreign debt and working capital demands, as overseas loan agreements worth \$100m have been cancelled since the Gitic closure.

This announcement appears as a matter of record only.

LTU

## Westdeutsche Landesbank Girozentrale

and  
private vendors  
have sold 49.9%

of

LTU Lufttransportunternehmen GmbH

&amp; Co KG

and

LTU Touristik GmbH

to

SAirGroup

Sole conducted by

WestLB UB Beteiligungen

Advisers to Westdeutsche Landesbank Girozentrale

WestLB Panmure Limited

WestLB  
UB Beteiligungen

WestLB Panmure

WestLB Panmure is regulated by SFA.

December 1998

Prices for electricity delivered to the

business of the electricity producer and

at the end of the month

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

in the month of January 1999

## GROUPE ERAMET

## ERAMET ACQUIRES THE MANGANESE BUSINESS OF THE NORWEGIAN PRODUCER ELKEM

The Board of Directors at its meeting of January 28, 1999 presided by Yves Rambaud approved the acquisition of the manganese assets of Elkem.

A major strengthening of Eramet's manganese division Eramet and Elkem (Norway) have entered into an agreement which provides the sale to Eramet of Elkem's assets in Norway and the USA for a total amount equivalent to about FRF 1,135 million (€ 173 million). The assets sold comprise fixed assets and the working capital excluding customer receivables. The required complementary working capital is about FRF 450 million (€ 68.6 million).

The financing of this acquisition will be jointly provided by Eramet and Cogema who will own respectively 60% and 40% of the new company created to hold the assets of Elkem's manganese business. An additional bank borrowing of about FRF 600 million will be organized by Eramet.

Elkem's manganese business, one of the world's main producers of manganese alloys, is in particular the world's number one producer of refined ferromanganese (medium carbon and low carbon ferromanganese).

Its plants located in Norway (Saude and Fossum) and in the USA (Marquette, Ohio) employ about 1 100 people. Its production capacity is close to 600,000 tpy of manganese alloys.

For the 9 months of 1998, sales reached NOK 2,193 million (about FRF 1,741 million) and operating profit was NOK 182 million (about FRF 144 million). For the whole year 1997, these amounts were respectively NOK 2,645 million and NOK 125 million.

This acquisition, in line with the strategy announced by Eramet, will allow the Group to become the world's number one producer of manganese alloys and to offer a very comprehensive range of products for the steel industry. The plants of Elkem's manganese business, which benefit from competitive electricity cost, particularly in Norway, will be able to process manganese ore from Comilog (a 61% affiliate of Eramet).

For further information, contact:  
Alain Rey, Investor Relations  
(Eramet, Paris)

ERAMET

MANGANESE - HIGH SPEED STEEL - MANGANESE

Phone (33) 1.45.38.42.02

Internet:

http://www.eramet.com



## NEWS DIGEST

# law in tariffs gives boost telecoms industry

Parliamentary legislation has given the telecoms industry a boost, with the introduction of a new tariff system. The new system, which will be implemented from 1st April 1999, will allow the industry to set its own tariffs, rather than being subject to government control. This is expected to lead to a significant increase in the industry's revenue, and will also allow the industry to better manage its costs. The new system will also allow the industry to set its own tariffs, rather than being subject to government control. This is expected to lead to a significant increase in the industry's revenue, and will also allow the industry to better manage its costs.

# investors for VSIP

The VSIP (Venture Capital Investment Programme) has been launched, and is expected to attract a significant amount of investment. The programme is designed to provide venture capitalists with a source of funds to invest in start-up companies. This is expected to lead to a significant increase in the number of start-up companies, and will also allow the industry to better manage its costs. The programme is designed to provide venture capitalists with a source of funds to invest in start-up companies. This is expected to lead to a significant increase in the number of start-up companies, and will also allow the industry to better manage its costs.

# china groups' debt default rate rises

The default rate on debt issued by Chinese companies has risen significantly, according to a report by the International Country Risk Guide. The report states that the default rate has risen from 1.5% in 1997 to 3.5% in 1998. This is a significant increase, and is expected to lead to a significant increase in the cost of borrowing for Chinese companies. The report also states that the default rate is expected to continue to rise in 1999. This is a significant concern for investors, and is expected to lead to a significant increase in the cost of borrowing for Chinese companies.

# UK business growth

The UK economy is expected to show strong growth in 1999, according to a report by the Office for National Statistics. The report states that the UK economy is expected to grow by 2.5% in 1999, compared with 2.0% in 1998. This is a significant increase, and is expected to lead to a significant increase in the number of jobs. The report also states that the UK economy is expected to continue to grow in 2000. This is a significant concern for investors, and is expected to lead to a significant increase in the cost of borrowing for UK companies.

The UK economy is expected to show strong growth in 1999, according to a report by the Office for National Statistics. The report states that the UK economy is expected to grow by 2.5% in 1999, compared with 2.0% in 1998. This is a significant increase, and is expected to lead to a significant increase in the number of jobs. The report also states that the UK economy is expected to continue to grow in 2000. This is a significant concern for investors, and is expected to lead to a significant increase in the cost of borrowing for UK companies.

## BUSINESSES FOR SALE

## CHRISTIE & CO

SURVEYORS, VALUERS &amp; AGENTS

## CITY OF LONDON

**Licensed Bar & Brasserie**  
• Superb location in City.  
• Net TPO year end 30.6.97 £331,527.  
• Currently trading 5 days only.  
• Large frontage onto street.  
• Potential for weekend trade.

**Offers in excess of £600,000 LEASEHOLD**  
London Office Ref 007706870W/01  
0171 227 0700

## NORTH YORKSHIRE

**Nursing Home**  
Registered for 38  
• 22 single and 8 shared rooms.  
• Excellent occupancy levels. Good condition throughout.  
• Free income year end 31.12.97 £559,700.  
• Good profit margin achieved.

**£925,000 FREEHOLD**  
Leeds Office Ref 54770184M/1  
0113 389 2700

## EAST SUSSEX

**Pubhouse & Restaurant**  
• Substantial 17th Century pubhouse near Lewes.  
• 4 bars, restaurant (48), function room. Well equipped throughout.  
• 3 bedroom accommodation.  
• Established trade in excess of £2,000 per week.  
• High volume food sales. Car park.

**£365,000 FREEHOLD**  
Maidstone Office Ref 88773121/PC1  
01622 656000

## NORTHAMPTONSHIRE

**Dual Registered Home for 58**  
• 22 single, 18 twin (37 en suite).  
• Planning permission for 18 additional places.  
• Weekly fees £240-£311.  
• Listed building built in 1610.  
• Town centre location.

**£975,000 FREEHOLD**  
Milton Keynes Office Ref 74770184M/1  
01908 206600

## ESSEX

**Residential Care Home**  
Registered for 11  
• 3 doubles, 5 singles (5 en suite).  
• Free range £241-£260 per week.  
• TPO 31.12.97 £118,015.  
• Reconstituted net profit £35,000/£40,000.  
• Ideal first time purchase.

**£390,000 FREEHOLD**  
Ipswich Office Ref 147777461M/1  
01473 256588

## EAST SUSSEX

**Licensed Restaurant, Rye**  
• Attractive restaurant in popular coastal town.  
• 2 section dining areas (40).  
• 2 bedroom accommodation above.  
• Well placed for daytime and evening trade.  
• Busy location in visitor town.  
• Well fitted, suit variety of trades.

**£142,000 FREEHOLD**  
Maidstone Office Ref 88770681/WH/1  
01622 656000

## SHEFFIELD

**Residential Care Home**  
Registered for 26  
• 18 single rooms. Staff lift.  
• Free £221-£257 per week. Majority private.  
• Residential location south of city centre.

**£600,000 FREEHOLD**  
Leeds Office Ref 54770184M/1  
0113 389 2700

## NORTH YORKSHIRE

**Nursing Home**  
Registered for 40  
• Free £318-£380 per week.  
• Very good quality accommodation.  
• Victorian property. Purpose built extensions.  
• Excellent occupancy levels. Superb location.

**£1,200,000 FREEHOLD**  
Leeds Office Ref 54770184M/1  
0113 389 2700

Offices at: LONDON • BIRMINGHAM • BRISTOL • EDINBURGH  
EXETER • GLASGOW • IPSWICH • LEEDS • MAIDSTONE • MANCHESTER  
MILTON KEYNES • NEWCASTLE • NOTTINGHAM • WINCHESTER

## CLARENDON HOUSE HOTEL (KENILWORTH) LIMITED

IN ADMINISTRATIVE RECEIVERSHIP  
QUALITY HOTEL

The Joint Administrative Receivers, Allister Grove and Neville Kahn, offer for sale the business and assets of this two/three-star hotel in Kenilworth, Warwickshire.

Principal features of the business include:

- Grade II Listed freehold in the High Street.
- 32 en-suite bedrooms
- function suite for 200 with marriage licence
- self-contained owners' flat
- turnover in the region of £500,000 pa

For further information, please contact Michael Phillips of Christie & Co, Edgaston House, 3 Duxford Place, Hagley Road, Birmingham B16 8NH.  
Tel: 0121 456 1222. Fax: 0121 455 0114.

## CHRISTIE &amp; CO

SURVEYORS, VALUERS &amp; AGENTS

PRICENAVERTHOUSECOOPERS

PricenavertHouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## VICTORIA YACHTS LIMITED

IN ADMINISTRATIVE RECEIVERSHIP  
YACHT BUILDER

The Joint Administrative Receivers, David Blenham and Peter Buckle, offer for sale the business and assets of this classic yacht builder based in Warrash near Southampton.

Principal features of the business include:

- internationally recognised brand name
- own rights and moulds for construction of the Victoria (800, 30, 34, 38) and the Frances (26, 34) range of yachts
- yacht brokerage
- repair and servicing
- operating from leasehold premises in prime South Coast waterfront location

For further information, please contact David Blenham of PricewaterhouseCoopers, The Quay, 30 Channel Way, Ocean Village, Southampton SO14 3QG.  
Tel: 01703 330077. Fax: 01703 236252.

PRICENAVERTHOUSECOOPERS

PricenavertHouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## CHRISTIE & CO

SURVEYORS, VALUERS &amp; AGENTS

CENTRAL LONDON

CHURCHILL PRIVATE CLINIC

LAMBETH ROAD, SE1

• Acute medical and surgical cases.  
• IVF fertility centre.  
• MRI and imaging department.  
• Out patient services including physiotherapy.  
• Revenue £4 million per annum.

**Offers in excess of £4,000,000 FREEHOLD**

Craig Wooliam 01962 833812 David Beecham 0171 227 0700

Ref: 00577184/206

Offices at: LONDON • BIRMINGHAM • BRISTOL • EDINBURGH  
EXETER • GLASGOW • IPSWICH • LEEDS • MAIDSTONE • MANCHESTER  
MILTON KEYNES • NEWCASTLE • NOTTINGHAM • WINCHESTER

## CHESHAM

BECAUSE YOU ONLY SELL

YOUR BUSINESS ONCE.

And you know that it's a scarce resource. So, why should you pay someone to produce the buyers? Perhaps you should talk to Chesham.

With confidential briefs from more than 2000 PLCs, foreign multinationals and venture capitalists who are looking to buy successful, private companies worth between £1 million and £50 million, we ought to be able to help.

If you would like a confidential discussion, please contact our Managing Director.

**CHESHAM AMALGAMATIONS**  
The first name in merger broking.

Chesham House, 2 Bentinck Street, London W1M 5RN.  
Telephone: 0171-935 2748.

## NICHE RETAIL BUSINESS FOR SALE

- Exotic giftware, art and furniture
- Forecast gross margin 75%
- Forecast sales £1.3m+. Pre-tax profit £200+ (year end 1997-2000)
- 18 outlets (inc. prime locations at Trafford Centre and Manchester)
- Offers direct £5m (neg.)
- For details call Chris Owen & Co. (Chartered Accountants)
- 01325 349700

## FOR SALE

**SUPPLIER OF  
INDUSTRIAL CLEANING  
EQUIPMENT, MACHINES,  
CHEMICALS, ETC.**

- Based in S.E. England
- Turnover circa £200k
- Highly Profitable
- Blue chip client base
- Established over 30 years
- Retirement Sale

Apply to:  
Box B5270, Financial Times  
One Southwark Bridge  
London SE1 9HL

## HYDRAULIC ENGINEERS/ COMMERCIAL VEHICLE BODYBUILDERS

The Joint Administrative Receivers offer for sale the business and assets of Japco Limited.

- Hydraulic engineering/manufacture - commercial vehicle fitting equipment
- Turnover circa £200k
- 22,000 sq.ft. modern premises in Bradford, West Yorkshire (leasehold or freehold may be available)
- Situated on M606 roundabout

For further information please contact Robert Barker, Joint Administrative Receiver, or Anthony Denham at Baker Tilly, Carlton House, Grammar School Street, Bradford BD1 4NS.  
Tel: 01274 753311. Fax: 01274 570962.

BAKER TILLY

Chartered Accountants

Authorised to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

## Clark &amp; Lowman

PAUL CLARK, ADMINISTRATOR,

INVITES OFFERS FOR

RHONDDA WASTE DISPOSAL LTD

(IN ADMINISTRATION)

- Landfill site at Nant-y-Gwyddon, Gelli, Rhondda Valley, South Wales
- Management of four civic amenity sites
- Ongoing local authority contracts
- Possibility to acquire shares or business and assets only

For further information please write in the first instance to:  
PJ Clark, Clark & Lowman,  
The Buckton Building, 43 Southampton Road,  
Ringwood, Hampshire BH24 1HE.  
Telephone 01425-462520.  
Facsimile 01425-462530.

## Specialist

Commercial Printers

- Quick turnaround printer specialising in financial research work
- Full range of in-house printing services
- 24 hour service provided to blue chip customer base
- Good Central London location
- Turnover for year end 28th February 1998 circa £1.9m

**BUSINESS AND ASSETS FOR SALE**

Contact: Michael Young or Peter Wardell

EDWARD SYMONS & SYMONS

15 Southwark Bridge, London SE1 9HL

Tel: 0171 955 4544 Fax: 0171 403 1447

Specialist Precision Mould and Die Maker for the Plastics Industry

• Located in Home Counties.

• Established 15 years • Turnover £1.2 million

• Many clients are household names, mainly in Automotive, Electrical and Whitegoods market place

• Typical order book £250-£450K

Sole due to Retirement.

REALISTIC OFFERS INVITED

Contact: Laura Morrison, Square Route Solutions Ltd

66 Potten Road West, Ladbroke, Middlesbrough, EH18 1EL

Tel/Fax: 0131 660 5221 • Mobile: 0831 622673

## ELECTRICAL

WHOLESALE

• Long established and consistently profitable company servicing national accounts for sale

• Turnover £3m+ from 3 branches

Principals write to:

Box B6268, Financial Times,  
One Southwark Bridge,  
London SE1 9HL

For more information on Classified Business Advertising in the FT please call:

Tel: +44 171 673 3349 Fax: +44 171 673 3064

LIQUIDATIONS RECEIVERSHIPS AUCTIONS

200-400 listed every week in the PAGE 1 REPORT

**BUSINESS RESALE**

120+ different businesses, auctions and property sales listed every month.

**0800 389 5504**

Fax: 01632 688967

PRECISION ENGINEERING CO

Approx 50 miles NE of London.

Sales 1998 c £1.3m.

Long established blue-chip customer base.

ISO 9002, very profitable.

Genuine retirement sale.

## In Administrative Receivership

The Joint Administrative Receivers, J.C. Reid and R.G. Ellis, offer for sale the business and assets of John R. George Limited, situated in Llantrisant, South Wales. The company manufactures and maintains capital equipment and machinery used in the steel industry and is for sale as a going concern.

The main features of the business are:

- Turnover of £2.5 million
- Freehold property, 34,924 sq.ft. on 2.5 acre site situated 2 miles from the M4 motorway
- Extensive range of plant, equipment, tooling and stock
- Well established customer base
- Existing order book

For further information please contact J.C. Reid or M.A. Simpson at Deloitte & Touche, Blenheim House, Newport Road, Cardiff CF2 1TS.  
Telephone: 01222 481111 Fax: 01222 482615

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Deloitte & Touche

Alpha Machine Technologies Limited

AMT is a leading designer and developer of Automated Systems and Special Purpose Machinery providing a diverse range of solutions for production automation. It is retained by multi-national blue chip clients in the UK. Prominent features include:

- Operations principally in East Kilbride and Bradford, as well as Stockton upon Tees
- Highly respected team of dedicated mechanical and software engineers
- Annual Turnover in excess of £3.5 million
- Extensive Intellectual Property Rights and ISO 9001
- In-house engineering and testing facilities
- Potential growth for repeat orders and markets overseas

For further details please contact Kieran Day at

Casson Beckman & Partners

Bow Chambers, 8 Tib Lane, Manchester M2 4JB.

Tel: 0161 832 0333

Fax: 0161 832 9212

Casson Beckman Group

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Fastener Distribution and Manufacturing Group

The Joint administrative receivers seek offers for all or part of the business and assets of this specialised distributor and manufacturer of fasteners. The group is primarily a supplier to original equipment manufacturers with a customer base which includes many blue chip companies.

The group trades from Bromsgrove, Worcestershire and Eastbourne, East Sussex.

The group turnover for 1998 was £3.5m.

For further information, please contact

Tony Mitchell or Tim Henselgrave at:

BDO Stoy Hayward, Beneficial Building, 28 Paradise Circus, Queensway, Birmingham B1 2BJ

Telephone: 0121 608 6086

IBDO

BDO Stoy Hayward Corporate Recovery and Insolvency

CABLING INSTALLATION COMPANY FOR SALE

• Long established company, specialising in both fibre-optic and copper cabling

• Earnings £300K before tax with growth potential

• Wide, blue chip customer base with high volume of repeat business

• Genuine retirement sale

Principles only please

Write Box B6268

Financial Times

One Southwark Bridge

London SE1 9HL

Approved under Section 57 (1) of the Financial Services Act 1986 by a person regulated by the Institute of Chartered Accountants in England and Wales to carry on investment business.

LEADING DEVELOPER OF DIGITAL IMAGING RIP SOFTWARE

• Profitable developer of digital imaging RIP (Raster Image Processing) software.

• Supplying blue chip OEM manufacturers of large format digital printers.

• Own proprietary software, leading brand name

• Turnover approaching £3million.

• Well established and successful management team keen to continue development of the business.

• Located in the UK.

Potential purchasers please reply to Box No. B6254

Financial Times, 1 Southwark Bridge, London SE1 9HL

For more information on Classified Business Advertising in the FT please call:

Tel: +44 171 673 3349 Fax: +44 171 673 3064

WE WANT YOUR BUSINESS.

For more information on Classified Business Advertising in the FT please call:

Tel: +44 171 673 3349 Fax: +44 171 673 3064

SELLING YOUR BUSINESS?

We have the skills and experience to achieve the best price for your business and ensure the deal is achieved maximum efficiency.

If you are considering a sale and your turnover exceeds £1m, we would like to talk to you.

Our charges are based purely on results, so you have little to lose. For a confidential discussion without obligation please contact Larry Blackstone at:

Blackstone & Partners

100, The Quadrant, London WC2N 6DF

Tel: 0171 733 3365 Fax: 0161 877 3399

Robson Kay & Co Ltd.

FOR SALE

On the instructions of P J Fleming FCA & I C Brown RSC ACCA

The Joint Administrators of Leamford Business Ltd & Christopher Haden Ltd

Long established manufacturing & suppliers of ladies light clothing (primarily blouses)

Trading from modern premises in Bedfordshire

Well equipped manufacturing unit includes: Sewing & cut-out embroidery machine



## COMPANIES &amp; FINANCE: UK

## ECC accepts \$1.25bn bid from Imetal

By Charles Pretzlik

English China Clays, the UK industrial minerals and specialty chemicals group, yesterday said it had accepted a \$1.25bn (£1.25bn) takeover bid from Imetal, a French rival.

Imetal is offering 250p a share in cash, an 11 per cent increase on its original offer of 235p, which ECC dismissed as too low.

Imetal had announced its intention to launch a hostile takeover bid but the two

groups began formal negotiations two weeks ago. Imetal is now expected to offer a seat on its board to Dennis Rediker, ECC's chief executive.

Patrick Krom, chief executive of Imetal, said: "We would welcome Mr Rediker in our management team."

Mr Rediker said: "From what I know today, I would like to join."

However, the deal met a lukewarm reception in the City. ECC's shares fell 1p to

241p. Nick Hatch, an analyst at Flemings, said: "I'm disappointed and I think there are one or two shareholders who felt they deserved more."

Imetal shares rose 15.4 per cent in Paris yesterday. "The French market obviously thinks they're getting a steal," Mr Hatch said.

ECC had said Imetal's original 235p offer "falls by a wide margin to reflect the value of the company's business and prospects." However, Mr Hatch said: "I don't

call 25p closing a wide margin."

He had valued the group at 270p a share.

Mr Rediker insisted Imetal's raised offer was "a fair value". It represented a 56 per cent increase on the 160p at which ECC's shares languished immediately before Imetal declared its interest.

ECC's shares had fallen from over 400p in 1995, underperforming the FTSE All-Share index by 75 per cent over the period.

Mr Krom said: "We believe

the enlarged group will become a low-cost producer in the industry, providing customers with high-quality service, based on a wider product offering, a diversified base of reserves and better levels of research and product."

He said he would consider the options for ECC's specialty chemicals division, Calson, including its disposal.

The deal must receive regulatory clearance. It will be examined by the US Department of Justice, the European Commission and Canadian competition authorities.

Analysts believe it will be closely examined because it would reunite ECC's Georgia Kaolin with Imetal's Drybranch Kaolin. Both businesses were owned by the same group but ECC was prevented from buying them both by US regulators.

Imetal was advised by N M Rothschild and SG Hambros. ECC was advised by Schroders.

## Inchcape sells Latin American bottling side

By John Whitham in London and Mark Mulligan in Santiago

In a further step in the consolidation of the Coca-Cola bottler network, Embotelladora Arica of Chile is to acquire the Latin American bottling interests of Inchcape, the UK trading company.

Arica, which is quoted on the Santiago stock exchange,

has agreed to pay \$750m for the business which bottles Coke in central Chile and Peru. It already has the franchises for the northern tip of Chile and most of Bolivia and the deal will create the fourth largest bottling group in Latin America.

The acquisition will give Arica 96 per cent of Coca-Cola drink sales in Bolivia, 93 per cent in Peru and 36

per cent of Chile.

Andrés Vicuña, Arica's vice-president, said the company would finance the deal through a \$340m rights issue which would double its capital base. Coca-Cola, which holds 17 per cent of the shares, has said it will subscribe and take up any shares left over.

The rest of the price will come from Arica's resources

and debt financing, organised by JP Morgan, the company's adviser on the acquisition.

"We're looking at various options," Mr Vicuña said, "with the idea of raising perhaps another \$300m."

The US investment bank has told Arica it is confident of success.

The sale by Inchcape, which was advised by Merrill Lynch, is a further step

in its transformation from a diversified trading company to an international motor distribution business.

The UK group sold its Russian bottling arm to Coca-Cola for \$21m (\$94m) in October. Last month its Asia-Pacific marketing side went to a private investor group for \$30m.

Still to be sold are its Middle Eastern marketing wing, Inchcape shipping services

and Inchcape NRG, an Asia-Pacific office automation business.

Analysts expect these to raise another £150m.

The UK group expects to make a cash distribution to shareholders this year, with details to be finalised once Arica has completed the financing arrangements for its acquisition. Analysts expect the distribution to be as much as 110p a share.

## Mixing together a concoction full of eastern promise

Lucy Smy examines how Blue Circle is following the industry trend to invest in the emerging markets of south-east Asia

The dusty towers and conellations of Blue Circle's Chelson Meadow cement works in Plymouth failed to protect employees against market forces. The plant will close with the loss of 130 jobs at the end of May.

In common with other multinational cement companies Blue Circle is shutting down small, high-cost plants in western markets and investing in big plants, often by deep-water ports, in south-east Asia.

Last year Blue Circle announced it would close cement works at Ipswich and Plymouth, at a cost of \$39m (\$44m).

Meanwhile, it spent more than \$700m on cement businesses in Malaysia, Singapore and the Philippines.

Blue Circle is also withdrawing from non-core businesses: for example, it is expected to announce soon the disposal of its Armitage Shanks bathroom division, valued at some £250m.

"If we want to grow our business we have to look outside the UK," says Keith Orrill-Jones, chief executive. "It is a mature market, and construction as a percentage of GDP growth is falling."

Blue Circle has focused its

firepower on south-east Asia because it believes growth there will rebound strongly in a few years.

Other big multinational cement groups have been playing the same game. In the Philippines, for example, it is estimated that between them, Cemex of Mexico and Holderbank of Switzerland control 80 per cent of cement capacity along with Blue Circle.

Blue Circle partly welcomes the scramble for assets. It prefers to operate in markets where multinational rivals have a presence.

Foreign owners work to similar profit targets. Their influence restricts the scope for aggressive price cutting while lifting the product standards demanded by customers.

None of the big companies likes the word "cartel", but all agree that small domestic companies producing at a loss with government backing are bad for business.

Asia's economic problems have improved the availability of assets. As a result of informal government protectionism, and strong construction growth which discouraged owners from selling, targets were rare in



Keith Orrill-Jones believes the long wait will be worthwhile

Malcolm Watson

south-east Asia during the 1980s and early 1990s. The need for industrial groups to raise cash to meet debts and fund construction output has changed that.

But fierce competition for assets means there has been no fire sale of south-east Asian cement works.

"People are paying a very high price in south-east Asia, and not just on a three

year view. They are spending upwards of \$130 (£73) a tonne of yearly capacity, when the market price of cement is \$45 a tonne," said one London analyst.

Mr Orrill-Jones concedes that Blue Circle spent \$130 a tonne on one acquisition in the Philippines, but believes rivals may have spent \$150-\$170 a tonne in other south-east Asian countries.

High purchase prices mean greater emphasis has to be placed on winning efficiencies out of the acquired business. This is tough in a market where falling demand is increasing overcapacity.

Peter Snazzo, a cement analyst at Warburg Dillon Read in Bangkok, estimates that in Thailand there is a total capacity for cement

production of 48.5m tonnes a year. He expects demand of only 22m tonnes.

Capacity utilisation is the key level that cement companies look at to try to estimate profit. Mr Snazzo believes Holderbank is willing to wait until 2003 for demand to pick up, raising capacity utilisation in Thailand from about 54 to 65 per cent.

In the short term, many assets are being moth-balled. Kilns are being closed, furnaces turned off.

For Blue Circle, in common with the other international groups, the eastward expansion is likely to dilute earnings for at least two or three years. One building materials analyst has cut his full-year earnings per share forecast for Blue Circle by 2p to 27p as a result.

While three years might be a long time for shareholders, it is a mere blink of an eye for cement companies. Most are looking at least 15 years ahead, when they believe their investments will begin to start paying off.

It is long wait, but one that Mr Orrill-Jones believes will be worthwhile. "There is no way that these countries will stay down. They will recover."

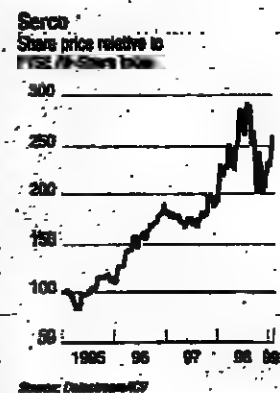
However, he added: "We have spent as much as I think we should in the region."

## COMMENT

## Serco/Nomura

Serco's joint venture with Nomura International mirrors what it is set up to do. The vehicle will be owned by Nomura but Serco will manage its operation. Similarly, the purpose of the joint venture is for Nomura to fund the acquisition of large state assets, while Serco runs them. Serco, which has crunched 20 per cent a year growth in earnings per share for the past decade, has a good track record in improving the management of state assets, be they prisons or hospitals. It has even taken the odd equity stake in them.

But with a market capitalisation of \$250m (\$1.36bn), the batch of state assets now on the auction block are beyond its scope. To get control of The National Air Traffic Control System or chunks of the London Underground would require \$1bn and more. If Serco were to try and finance as well as manage NATS, it would turn itself into an air traffic company, and would lose the flexibility to do other deals. Its joint venture with Nomura International is therefore a sensible division of labour. Nomura drums up the finance, Serco manages the project. There is also an equity kicker for Serco, which stands to receive a share of the capital appreciation of the assets, without having to lay out any initial capital. Nomura does not usually need to sweeten its partners like this, but then having Serco on board means a better chance of clinching deals. The only concern is that the two have to wait for the government to press the green button.



## English China Clays

Imetal calls it the "unilateral" approach: others would use the term "bear hug". Either way, this unfriendly if not actively hostile technique certainly did the trick with English China Clays. The latter rebuffed a bid from Imetal at 225p a share, arguing it failed by a "wide margin" to value the company. ECC's definition of "wide margin" now seems quite narrow, since hostilities ceased at 250p.

Did the management simply buckle at the prospect of a drawn-out scrap which could have ended with the loss of their jobs? Probably not. At 250p, Imetal is giving away most of the value created by merging the businesses to ECC shareholders. That is a decent enough burial for a company whose shares have underperformed the market by 65 per cent over five years.

## Electra sets 3i tough conditions

By Katherine Campbell, Growing Business Correspondent

Electra Investment Trust has set tough conditions for a resumption of stalled talks on a takeover by 3i, insisting the venture capital group pays a premium to its net asset value.

3i, a rival venture capitalist, has stipulated any revived talks must be opened by 3i indicating a price in terms of a premium to current net asset value. The latter would be as calculated by Electra, which has retained PwC to update the last published figure of 678p. The figure has been estimated by BT Alex Brown at between 720p and 730p.

Talks reached stalemate last week when EIT turned down an indicative takeover offer by 3i, understood to be just under 700p, valuing the trust at some £1.2bn (\$1.95bn).

Electra also wants 3i to sign a standstill agreement, which would effectively stop 3i from launching a hostile bid. People close to 3i added a hostile bid was still "unlikely".

3i is understood to be dismissive of the Electra valuation exercise because it has already come up with its own valuations on a company by company basis for over two thirds of Electra's

unquoted portfolio. 3i also indicated it would not be put off buying Electra Investment Trust even if - as seems increasingly likely - it failed to secure the executives from Electra Fleming, the company which manages the trust.

While 3i's initial approach was motivated by the strategic fit of the two businesses as well as by financial considerations, it is believed to think it could manage the assets without Electra Fleming.

"There was a point during the talks when it became clear 3i could not be confident of the support of the [Electra Fleming] executives," a person close to 3i said. But he added the price would have to reflect that. "3i would not pay a strategic premium if there were no certainty of the management coming along."

Electra Fleming is a joint venture between EIT and Robert Fleming, with EIT's share last valued at \$20.8m. Remuneration is understood to be the principal sticking point for Electra Fleming managers. The latter enjoy co-investment schemes, whereas 3i has always argued that such deal-by-deal arrangements skew the rewards towards executives and away from shareholders.

## RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends/Corresponding dividend	Total for year	Total for year
AAA	1,535 (1,294)	440 (415)	32 (21.22)	-	-	-	-	13.65
Banks	54.7 (62.4)	4.19 (4.33)	13.51 (14.55)	3.25	Apr 6	3.25	4.9	4.75
British Rail	5.97 (5.93)	0.748 (0.738)	0.11 (0.11)	-	-	-	-	-
BT	4,061 (3,657)	322 (272)	30.54 (26.5)	18	-	7.0	4.3	11.5
Harley Financial	1.1 (1.1)	0.12 (0.12)	0.12 (0.12)	0.15	Apr 30	-	-	-
Sanctuary	13.1 (16.4)	1.47 (1.32)	1.37 (1.04)	0.15	Apr 30	1.86	-	6
Use	50.6 (40.8)	1.08 (0.88)	0.22 (0.14)	0.4	Mar 5	1.8	-	0.25
Western Selection	0.1 (0.1)	0.142 (0.119)	0.33 (0.27)	1.15	Feb 24	1.15	-	3.7
Whitbread	16.3 (14.2)	0.384 (0.334)	1.1 (1.1)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After dividend tax. After exceptional charge. After exceptional credit. 10p increased capital. 40p stock. +Comparatives restated. □Total purchases. +On reduced capital. +Comparatives per share for year to December 31, 1994, June 30.

## Guardian RE agrees £3.3bn offer from Axa

By Andrew Bolger, Insurance Correspondent

The board of Guardian Royal Exchange, one of the UK's oldest insurance groups, yesterday recommended a cash and shares offer from Axa, the French insurer, that valued the company at £3.3bn (\$5.4bn).

Axa will make the proposed acquisition through Sun Life and Provincial Holdings, the UK life assurance company in which it

holds a 72 per cent stake. Following the deal, Axa's stake will drop to 66 per cent.

Axa said the acquisition would enable Sun Life and Provincial to achieve critical mass in the consolidating UK and Irish insurance markets which should lead to significant efficiency improvements.

Lord Douro, chairman of Sun Life and Provincial, said: "We shall become the third largest life insurance

company in the UK and the acquisition will also put us in the third largest position for general insurance in the UK, second position in health insurance and first position in general insurance in the Republic of Ireland."

The market gave the proposed acquisition a cool reception, marking Sun Life and Provincial's shares down 51p to 530p.

The buyer will offer 249p in cash and 0.243 new Sun Life and Provincial shares

for each GRE share, worth 378p for each GRE share at last night's close. GRE shares closed 64p lower at 361p.

The sharp fall in Sun Life and Provincial's share price could rekindle interest from Eureka, the alliance of seven European insurers that tabled a cash offer of 385p by Friday's deadline. However, the two sides still appear to be very far apart on conditions - particularly relating to businesses in the US.

Another offer from Royal & Sun Alliance, GRE's rival composite, also seems unlikely.

Sun Life and Provincial will pay a net £1.9bn for the UK and Irish parts of GRE, selling the company's overseas businesses to Axa for \$72m in cash.

Sun Life and Provincial has also agreed to sell GRE's North American businesses to Liberty Mutual, a US insurer, for \$1.47bn in cash. Axa will also sell GRE's

German business to Axa Colonia, the French group's German subsidiary, for DM 1.66bn (\$944m) in cash.

Axa is being advised jointly by Goldman Sachs and DLJ International and Axa Colonia by ABN Amro. Sun Life and Provincial is being advised by Dresdner Kleinwort Benson, while GRE is being advised jointly by Morgan Stanley and SO Hambros. The brokers to the offer are Warburg Dillon Read.



**Free Annual Reports from the FT where you see this sign.**

Tel: +44 181 770 0770  
Fax: +44 181 770 3822  
Internet: <http://www.icbinc.com>

Financial Times Surveys

**Northern Ireland**

Thursday April 1

For further information please contact:

Charles Blandford  
Tel: +353 1 676 1184 Fax: +353 1 676 2125  
email: chasb@indigo.ie

or Tracey Endacott in London  
Tel: +44 171 873 4356 Fax: +44 171 873 4362  
email: tracey.endacott@FT.com

FINANCIAL TIMES  
No FT, no comment.

Financial Times Surveys

**Life Sciences**

Monday March 15

For further information please contact:

Justin Maffham in London  
Tel: +44 171 873 3760  
Fax: +44 171 873 3062  
email: justin.maffham@FT.com

FINANCIAL TIMES  
No FT, no comment.



## COMMENT

## Sercio/Nomura

French bank takeover boosts bourses

European stock markets started the week on a bright note as confirmation of a big French banking takeover turned the spotlight back on industry consolidation.

Financial stocks led the broader markets higher as investors began picking out the next candidates for a bout of merger and acquisition activity.

The robust mood was further strengthened by a strong opening on Wall Street although that was melting away later. But the Brazilian Real strengthened a little against the US dollar, while speculation about the timing of an interest rate cut by the European Central Bank also drew buyers.

The FTSE Europe 300

## EQUITIES

## French bank takeover boosts bourses

## EUROPEAN OVERVIEW

By Vincent Boland

European stock markets started the week on a bright note as confirmation of a big French banking takeover turned the spotlight back on industry consolidation.

Financial stocks led the broader markets higher as investors began picking out the next candidates for a

bout of merger and acquisition activity.

The robust mood was further strengthened by a strong opening on Wall Street although that was melting away later. But the Brazilian Real strengthened a little against the US dollar, while speculation about the timing of an interest rate cut by the European Central Bank also drew buyers.

The FTSE Europe 300

Index of leading stocks rose 17.43 to 1,232.33 and the FTSE Eurotop 100 index of 46.68 to 2,533.26. The FTSE Euro 100 index of euro-zone stocks gained 11.28 to 1,035.12.

Dealers said trading volume across Europe was good, with cash-rich institutions not wanting to be left out of the current surge.

Bank shares rose 1.11 per cent after confirmation that

Société Générale was tying up with Paribas. Though billed as a merger, the market took the view SocGen was taking over its smaller partner, and its shares fell 65 to €153 after rising strongly in recent weeks.

Paribas rose €3.20 to €32.15 after the announcement.

Other French banks were also stronger on the view that they would be forced to act now that a powerful com-

petitor had been created. BNP, which was jilted by Paribas in favour of SocGen and is seen as the most vulnerable of the independent operators, fell €2 to €78.

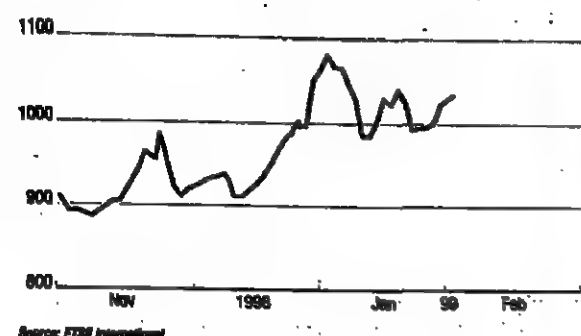
This is not the type of cross-border merger the market had been waiting for in the sector, however, despite the international dimensions of the two banks.

"To date, the international banks have not been major participants in this consolidation wave: cross-border mega-mergers, creating pan-European multi-domestic banking groups of a new form and scale, have not yet taken place," noted Salomon Smith Barney in its latest strategy report.

Insurers were also under the spotlight following AXA's successful bid for Guardian Royal Exchange. AXA fell €1.20 to €128.60, while Allianz rose €8.50 to €338.46.

## FTSE EURO 100

Index



Source: FTSE International

## FTSE Actuarial Share Indices

Indices of companies with an Actuarial Share of 10% or more

Index	Value	Change	Vol	High	Low	Open
FTSE Europe 300	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Eurotop 100	2533.26	+46.68	2.28	2527.12	2525.12	2525.12
FTSE Euro 100	1035.12	+11.28	2.28	1032.12	1030.12	1030.12
FTSE Europe 500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 1000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 1500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 2000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 2500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 3000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 3500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 4000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 4500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 5000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 5500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 6000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 6500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 7000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 7500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 8000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 8500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 9000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 9500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 10000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12

## EUROPEAN SERIES

Indices of companies with an Actuarial Share of 10% or more

Index	Value	Change	Vol	High	Low	Open
FTSE Europe 300	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Eurotop 100	2533.26	+46.68	2.28	2527.12	2525.12	2525.12
FTSE Euro 100	1035.12	+11.28	2.28	1032.12	1030.12	1030.12
FTSE Europe 500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 1000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 1500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 2000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 2500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 3000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 3500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 4000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 4500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 5000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 5500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 6000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 6500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 7000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 7500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 8000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 8500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 9000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 9500	1232.33	+17.43	2.21	1230.46	1228.12	1228.12
FTSE Europe 10000	1232.33	+17.43	2.21	1230.46	1228.12	1228.12

## CURRENCIES &amp; MONEY

## EURO SPOT FORWARD AGAINST THE EURO

Pair		Change on day	1m	3m	6m	9m	12m	15m	18m	21m	24m	27m	30m	33m	36m	39m	42m	45m	48m	51m	54m	57m	60m	63m	66m	69m	72m	75m	78m	81m	84m	87m	90m	93m	96m	99m	102m	105m	108m	111m	114m	117m	120m	123m	126m	129m	132m	135m	138m	141m	144m	147m	150m	153m	156m	159m	162m	165m	168m	171m	174m	177m	180m	183m	186m	189m	192m	195m	198m	201m	204m	207m	210m	213m	216m	219m	222m	225m	228m	231m	234m	237m	240m	243m	246m	249m	252m	255m	258m	261m	264m	267m	270m	273m	276m	279m	282m	285m	288m	291m	294m	297m	300m	303m	306m	309m	312m	315m	318m	321m	324m	327m	330m	333m	336m	339m	342m	345m	348m	351m	354m	357m	360m	363m	366m	369m	372m	375m	378m	381m	384m	387m	390m	393m	396m	399m	402m	405m	408m	411m	414m	417m	420m	423m	426m	429m	432m	435m	438m	441m	444m	447m	450m	453m	456m	459m	462m	465m	468m	471m	474m	477m	480m	483m	486m	489m	492m	495m	498m	501m	504m	507m	510m	513m	516m	519m	522m	525m	528m	531m	534m	537m	540m	543m	546m	549m	552m	555m	558m	561m	564m	567m	570m	573m	576m	579m	582m	585m	588m	591m	594m	597m	600m	603m	606m	609m	612m	615m	618m	621m	624m	627m	630m	633m	636m	639m	642m	645m	648m	651m	654m	657m	660m	663m	666m	669m	672m	675m	678m	681m	684m	687m	690m	693m	696m	699m	702m	705m	708m	711m	714m	717m	720m	723m	726m	729m	732m	735m	738m	741m	744m	747m	750m	753m	756m	759m	762m	765m	768m	771m	774m	777m	780m	783m	786m	789m	792m	795m	798m	801m	804m	807m	810m	813m	816m	819m	822m	825m	828m	831m	834m	837m	840m	843m	846m	849m	852m	855m	858m	861m	864m	867m	870m	873m	876m	879m	882m	885m	888m	891m	894m	897m	900m	903m	906m	909m	912m	915m	918m	921m	924m	927m	930m	933m	936m	939m	942m	945m	948m	951m	954m	957m	960m	963m	966m	969m	972m	975m	978m	981m	984m	987m	990m	993m	996m	999m	1002m	1005m	1008m	1011m	1014m	1017m	1020m	1023m	1026m	1029m	1032m	1035m	1038m	1041m	1044m	1047m	1050m	1053m	1056m	1059m	1062m	1065m	1068m	1071m	1074m	1077m	1080m	1083m	1086m	1089m	1092m	1095m	1098m	1101m	1104m	1107m	1110m	1113m	1116m	1119m	1122m	1125m	1128m	1131m	1134m	1137m	1140m	1143m	1146m	1149m	1152m	1155m	1158m	1161m	1164m	1167m	1170m	1173m	1176m	1179m	1182m	1185m	1188m	1191m	1194m	1197m	1200m	1203m	1206m	1209m	1212m	1215m	1218m	1221m	1224m	1227m	1230m	1233m	1236m	1239m	1242m	1245m	1248m	1251m	1254m	1257m	1260m	1263m	1266m	1269m	1272m	1275m	1278m	1281m	1284m	1287m	1290m	1293m	1296m	1299m	1302m	1305m	1308m	1311m	1314m	1317m	1320m	1323m	1326m	1329m	1332m	1335m	1338m	1341m	1344m	1347m	1350m	1353m	1356m	1359m	1362m	1365m	1368m	1371m	1374m	1377m	1380m	1383m	1386m	1389m	1392m	1395m	1398m	1401m	1404m	1407m	1410m	1413m	1416m	1419m	1422m	1425m	1428m	1431m	1434m	1437m	1440m	1443m	1446m	1449m	1452m	1455m	1458m	1461m	1464m	1467m	1470m	1473m	1476m	1479m	1482m	1485m	1488m	1491m	1494m	1497m	1500m	1503m	1506m	1509m	1512m	1515m	1518m	1521m	1524m	1527m	1530m	1533m	1536m	1539m	1542m	1545m	1548m	1551m	1554m	1557m	1560m	1563m	1566m	1569m	1572m	1575m	1578m	1581m	1584m	1587m	1590m	1593m	1596m	1599m	1602m	1605m	1608m	1611m	1614m	1617m	1620m	1623m	1626m	1629m	1632m	1635m	1638m	1641m	1644m	1647m	1650m	1653m	1656m	1659m	1662m	1665m	1668m	1671m	1674m	1677m	1680m	1683m	1686m	1689m	1692m	1695m	1698m	1701m	1704m	1707m	1710m	1713m	1716m	1719m	1722m	1725m	1728m	1731m	1734m	1737m	1740m	1743m	1746m	1749m	1752m	1755m	1758m	1761m	1764m	1767m	1770m	1773m	1776m	1779m	1782m	1785m	1788m	1791m	1794m	1797m	1800m	1803m	1806m	1809m	1812m	1815m	1818m	1821m	1824m	1827m	1830m	1833m	1836m	1839m	1842m	1845m	1848m	1851m	1854m	1857m	1860m	1863m	1866m	1869m	1872m	1875m	1878m	1881m	1884m	1887m	1890m	1893m	1896m	1899m	1902m	1905m	1908m	1911m	1914m	1917m	1920m	1923m	1926m	1929m	1932m	1935m	1938m	1941m	1944m	1947m	1950m	1953m	1956m	1959m	1962m	1965m	1968m	1971m	1974m	1977m	1980m	1983m	1986m	1989m	1992m	1995m	1998m	2001m	2004m	2007m	2010m	2013m	2016m	2019m	2022m	2025m	2028m	2031m	2034m	2037m	2040m	2043m	2046m	2049m	2052m	2055m	2058m	2061m	2064m	2067m	2070m	2073m	2076m	2079m	2082m	2085m	2088m	2091m	2094m	2097m	2100m	2103m	2106m	2109m	2112m	2115m	2118m	2121m	2124m	2127m	2130m	2133m	2136m	2139m	2142m	2145m	2148m	2151m	2154m	2157m	2160m	2163m	2166m	2169m	2172m	2175m	2178m	2181m	2184m	2187m	2190m	2193m	2196m	2199m	2202m	2205m	2208m	2211m	2214m	2217m	2220m	2223m	2226m	2229m	2232m	2235m	2238m	2241m	2244m	2247m	2250m	2253m	2256m	2259m	2262m	2265m	2268m	2271m	2274m	2277m	2280m	2283m	2286m	2289m	2292m	2295m	2298m	2301m	2304m	2307m	2310m	2313m	2316m	2319m	2322m	2325m	2328m	2331m	2334m	2337m	2340m	2343m	2346m	2349m	2352m	2355m	2358m	2361m	2364m	2367m	2370m	2373m	2376m	2379m	2382m	2385m	2388m	2391m	2394m	2397m	2400m	2403m	2406m	2409m	2412m	2415m	2418m	2421m	2424m	2427m	2430m	2433m	2436m	2439m	2442m	2445m	2448m	2451m	2454m	2457m	2460m	2463m	2466m	2469m	2472m	2475m	2478m	2481m	2484m	2487m	2490m	2493m	2496m	2499m	2502m	2505m	2508m	2511m	2514m	2517m	2520m	2523m	2526m	2529m	2532m	2535m	2538m	2541m	2544m	2547m	2550m	2553m	2556m	2559m	2562m	2565m	2568m	2571m	2574m	2577m	2580m	2583m	2586m	2589m	2592m	2595m	2598m	2601m	2604m	2607m	2610m	2613m	2616m	2619m	2622m	2625m	2628m	2631m	2634m	2637m	2640m	2643m	2646m	2649m	2652m	2655m	2658m	2661m	2664m	2667m	2670m	2673m	2676m	2679m	2682m	2685m	2688m	2691m	2694m	2697m	2700m	2703m	2706m	2709m	2712m	2715m	2718m	2721m	2724m	2727m	2730m	2733m	2736m	2739m	2742m	2745m	2748m	2751m	2754m	2757m	2760m	2763m	2766m	2769m	2772m	2775m	2778m	2781m	2784m	2787m	2790m	2793m	2796m	2799m	2802m	2805m	2808m	2811m	2814m	2817m	2820m	2823m	2826m	2829m	2832m	2835m	2838m	2841m	2844m	2847m	2850m	2853m	2856m	2859m	2862m	2865m	2868m	2871m	2874m	2877m	2880m	2883m	2886m	2889m	2892m	2895m	2898m	2901m	2904m	2907m	2910m	2913m	2916m	2919m	2922m	2925m	2928m	2931m	2934m	2937m	2940m	2943m	2946m	2949m	2952m	2955m	2958m	2961m	2964m	2967m	2970m	2973m	2976m	2979m	2982m	2985m	2988m	2991m	2994m	2997m	3000m
Europe																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											







# NEWS BRIEF

## FOR NON-PERFORMING LOANS

### Polish agency issues 1st tranche of new series

Polish agency issues 1st tranche of new series of non-performing loans. The agency has issued the first tranche of new series of non-performing loans, valued at 100 million zlotys (\$25 million). The loans are guaranteed by the Polish government and are being sold to investors in the US and Europe. The agency has also issued a second tranche of new series of non-performing loans, valued at 100 million zlotys (\$25 million). The loans are guaranteed by the Polish government and are being sold to investors in the US and Europe.

# BIT RATINGS

## P strengthens Telekurs link

P strengthens Telekurs link. The Polish government has strengthened its link with Telekurs, a major telecommunications company. The government has agreed to a new contract with Telekurs, which will increase the government's share in the company. The new contract will also increase the government's control over the company's operations. The government has also agreed to a new contract with Telekurs, which will increase the government's share in the company. The new contract will also increase the government's control over the company's operations.

# NATIONAL BONDS

Bond	Yield	Price
10-year	5.50%	102.10
5-year	5.25%	101.80
3-month	5.00%	101.50

# CURRENCIES & MONEY

## Euro lower on rate expectations

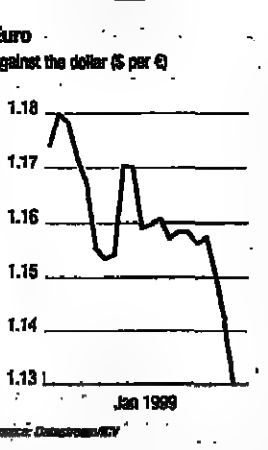
### MARKETS REPORT

By Florian Gilmer

The euro continued to lose ground against the dollar, largely owing to the market's anticipation of a cut in euro-zone interest rates. The increasingly drab economic outlook across the 11-nation euro-zone was confirmed yesterday by purchasing managers surveys in both Germany and Italy, showing further declines in manufacturing.

in the face of a gloomy report on Britain's manufacturing sector. Running against market expectations for an interest rate cut by the Bank of England on Thursday, the pound ended only slightly lower against the euro, finishing at 1.0889 in London trading, from 1.0891 previously.

in Brazil," said Ravi Bulchandani, chief currency strategist at Morgan Stanley Dean Witter in London. The investment bank cut its interest and exchange rate forecasts for the euro-zone yesterday, expecting the euro to decline as low as \$1.05 in the near term. It also sees the need for a 75 basis points cut in the euro-zone interest rate from 3 per cent.



He expects the European Central Bank to cut interest rates in the first quarter of this year. But he added that expectations were too much concentrated on signals from Germany. "Under the old regime, Europe did whatever the Bundesbank decided to do, but now Germany's actual influence has diminished. It went from 100 per cent decision making power to a vetoing power [within the ECB] that is well below its GDP-weighted position in Europe. Before the single currency, Europe had to become more like Germany. Now Germany has to become more European-like," said Mr Bloom.

### POUND SPOT FORWARD AGAINST THE POUND

Month	Spot	Forward
1m	1.0889	1.0889
3m	1.0889	1.0889
6m	1.0889	1.0889
12m	1.0889	1.0889

### DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Month	Spot	Forward
1m	1.0889	1.0889
3m	1.0889	1.0889
6m	1.0889	1.0889
12m	1.0889	1.0889

### CROSS RATES AND DERIVATIVES

Currency	Rate
US\$	1.0889
Yen	108.89
Yuan	8.27

### UK INTEREST RATES

Rate	Yield
10-year	5.50%
5-year	5.25%
3-month	5.00%

### EMS EUROPEAN CURRENCY UNIT RATES

Unit	Rate
ECU	1.936
DM	1.936
FF	1.936

### UK MONEY RATES

Rate	Yield
10-year	5.50%
5-year	5.25%
3-month	5.00%

### BASE LENDING RATES

Bank	Rate
Bank of England	5.50%
Bank of France	5.25%
Bank of Germany	5.00%

### WORLD INTEREST RATES

Country	Rate
US	5.50%
UK	5.25%
Germany	5.00%

### INTERNATIONAL CURRENCY RATES

Country	Rate
US	1.0889
Yen	108.89
Yuan	8.27

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

Bank	Rate
Bank of England	5.50%
Bank of France	5.25%
Bank of Germany	5.00%

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889

### THREE MONTH EURO LIBOR FUTURES (LFF) Ctr 100-100

Month	Rate
Mar	1.0889
Jun	1.0889
Sep	1.0889



## COMMODITIES &amp; AGRICULTURE

## SFE to trade commodities on screen

By Gwen Robinson in Sydney

The Sydney Futures Exchange has formed a joint venture with ComputerShare, an information technology provider, and Agrex Australia, an agricultural services group, in efforts to establish an electronic trading market for physical commodities, to be known as the Commodities Exchange of Australia. Traders and farmers welcomed the move.

In a separate development, however, many traders expressed concern about a delay in the SFE's planned switch from open outcry trading to fully electronic trading. The exchange said last week it had pushed back the date of the switch from March to October 1.

Members blamed bugs in the SFE's new system for the delay. The switch should be made after Sycom IV, the SFE's upgraded Windows NT screen-based trading platform, is installed in June.

Members are concerned the delay will add to pressures in preparing for the switch to year 2000-compliant systems. Some have said they would not accept any new systems after the third quarter of 1999 and probably not until after the first quarter of 2000. But the SFE said the planned October 1 conversion to fully screen-based trading, falling between the September contracts rollover period and a public holiday, would cause minimal impact.

The exchange said last week its planned CEA would be fully electronic, initially providing spot and forward markets for grains, pulses, oilseeds and other agricultural products. A feasibility study would be completed by the end of March and a launch date announced shortly thereafter, it said.

The new market, which would eventually operate through the internet, would also seek to create markets for non-agricultural commodities and explore opportunities to establish markets off-shore, said Les Hosking, SFE chief executive.

He added that the new exchange would promote transparency in transactions involving rural commodities, and help farmers and buyers gauge supply and demand more accurately.

"This will reduce costs and the exposure growers or consumers will have to not getting the right price," he said. Most traders of rural commodities rely on offshore markets or the SFE's futures contracts as the only public pricing mechanisms available to assess the market.

A centralised exchange for physical commodities would encourage price transparency and transaction security. Guarantees of financial performance and settlement by the SFE Clearing House, which is backed by a \$150m guarantee fund, would help to eliminate counterparty risk, he said. Throughout the Asian crisis, the exchange's clearing house performed without fault or incident, Mr Hosking added.

Computershare would develop and operate an electronic trading platform for the new exchange, while Agrex would provide marketing services and co-ordinate the exchange's relationship with bulk handlers.

The SFE is also continuing talks with the Australian Stock Exchange on a merger proposal. An initial merger agreement should be ready by July, members said. The ASX demutualised last year and listed on its own boards in a highly successful compliance listing.

## Freeport McMoRan in royalties struggle

By Sender Thomas in Jakarta

Freeport McMoRan, the US mining company that operates the world's largest gold mine and third largest copper mine, is struggling to reach a compromise with Indonesian officials who want to double the royalties it pays and block its expansion plans.

Freeport, which operates the Grasberg mine in Irian Jaya in a joint venture with Rio Tinto, has been the prime target of a public backlash against investors closely affiliated with former president Suharto, Kuntoro Mangkusubroto, the mining and energy minister, said

last week he would approve expansion only if royalties were doubled, threatening Freeport's battered earnings and share price.

Freeport officials yesterday met Mr Kuntoro, following a meeting a week earlier between Jim Bob Moffett, Freeport's CEO, and President B.J. Habibie. While Mr Habibie then approved expansion of the mine to 300,000 tonnes, Mr Kuntoro has continued to object, citing concerns over the environment and lack of benefits for the local community.

Freeport officials would not comment except to note that the mining licence allows for an increase in royalties only if prices of copper, gold or silver rise. The company has insisted in the past that tailings from the huge mine are not toxic, but environmental groups in Indonesia reacted furiously to Mr Habibie's sudden approval of expansion.

"Freeport lacks real friends in the ministry at a time when they most need it," the mining executive said. "Moffett now finds the cost of boasting about his ties with Suharto."

One mining analyst suggested, however, that

Freeport might have quietly agreed to an increase in payments in a way that would avoid changing the contract, which would require approval in parliament, where Freeport has also been under attack.

"Call them contributions to the local community," he said. "As long as Freeport agrees, there is nothing wrong with it. So far, they have not objected publicly."

Freeport's 30-year lease on the mine, agreed in 1981, was already a renegotiated version of a 1973 contract for a much more modest operation. As in the meeting with Mr Habibie, Mr Moffett at the time asked Mr Suharto

to override objections by his ministers.

Freeport has since been fending off accusations that it rewarded Mr Suharto and his associates for their support by selling undervalued shares in the mine and over-valued supply contracts.

A foreign mining executive said there was little chance that a renegotiation of the contract with Freeport would endanger other mining contracts, which have a Lex Specialis clause protecting investors from legal changes. Mr Kuntoro has assured investors that the contracts of work are sacred. "I don't think this is actually a policy shift," the executive said. "Freeport has always been different from the rest of us."

Instead, mining companies expect royalties to rise only for new projects, as planned in a draft law on mining that has yet to be submitted to parliament.

Freeport - McMoRan reported record production and sales in the fourth quarter of 1998 but said that because of varying ore grades and operation rates, sales would fall from 1.7m pounds of copper and 2.8m ounces of gold in 1998 to 1.4m pounds and 2m ounces respectively in 1999. It has not firmly decided on expansion to 300,000 tonnes.

## Lucky strike at Cananea mine

By Andrea Mandel-Campbell in Mexico City

A stand-off between miners and management at the Cananea copper mine in 1996 heralded the coming of the Mexican revolution.

This time, a two-month old strike at the huge open pit mine is seen as a blessing in disguise for an industry hard hit by falling prices, say market analysts.

Nearly 2,000 union workers walked out of the historic mine in the northern province of Sonora, just 80km from the US border, on November 18.

Yet as the strike enters its 10th week, the conflict has received little publicity and analysts are almost flippant about the impact the stoppage could have on Grupo Mexico, the mine owner, responsible for 95 per cent of Mexico's copper output.

While the group is considered one of the leading low-cost producers, averaging 47 cents a pound throughout its operations, the cost of producing copper concentrate at the ageing Cananea is about 67 cents a pound - above the

market price of 65 cents a pound.

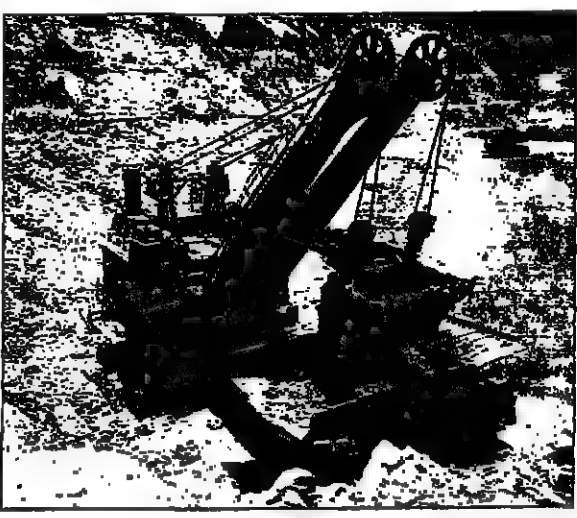
"We never meant it to happen, but we've stopped losing money," joked Gabino Paz, director of industrial relations for Grupo Mexico.

Rene Kleyweg, mining analyst with Merrill Lynch & Co in New York, added: "The strike is not entirely unfortunate for the company. In fact, it's quite convenient for them. They aren't losing out and if anything it helps the current oversupply."

Santander Investment says Cananea is losing \$2.7m a week in potential revenue on the 1,775 tonnes it produces in the form of blister copper and copper cathodes.

But despite higher fixed costs for Grupo Mexico, which achieved sales of \$1.3bn last year, "there won't be a very significant impact on margins," said Sandra Morfin, analyst with Santander, predicting a \$16m drop in fourth-quarter profit.

Cananea also ships 3,000 tonnes of copper concentrate a week to La Caridad, Grupo Mexico's neighbouring smelter, representing one-



With costs higher than prices the strike is saving the mine money

third of La Caridad's supply. But the refinery, one of the largest in North America, has been able to rely on significant stockpiles because of a recent maintenance shutdown. The company has recently begun to buy concentrate on the market, but there is plenty of surplus, say analysts, as Chile continues to churn out copper to offset falling prices.

What is more uncertain is when the strike will end. Grupo Mexico officials say miners should be back at work in one to two weeks. Market observers point out that workers' productivity bonuses are at stake.

## Copper stocks at record levels

MARKETS REPORT

By Paul Solman and Robert Corzine

Copper prices fell again yesterday as London Metal Exchange stocks reached a record high. The LME said inventories of the base metal held in its warehouses had risen to 646,576 tonnes, beating the previous record of 645,300 tonnes set more than 20 years ago.

The figures are the latest sign that global over-supply of the red metal continues to weigh heavily on the market. Analysts say lower prices are likely unless producers curb output.

Three-month copper closed yesterday at \$1.427 a tonne, \$7 lower than Friday's level. A fall to \$1.420 would represent the lowest price for almost 12 years.

Zinc closed higher in spite of a report showing that world production of the metal rose last year.

The International Lead and Zinc Study Group said total output in the 11 months from January to November was 7.3m tonnes

against 7m tonnes in the same period of 1997.

Consumption was almost unchanged at 7.14m tonnes against 7.13m tonnes in 1997. Three-month zinc finished at \$1.250 a tonne, \$12.50 higher than \$1.2375 a tonne.

Oil prices fell yesterday as markets failed to hang on to Friday's gains. Brent Blend for March delivery was quoted at \$11.12 a barrel in late trading on London's International Petroleum Exchange, down 23 cents on Friday's close.

Reports that the Saudi Arabian and Venezuelan oil ministers planned to meet in Caracas to discuss the possibility of further contacts with non-Opec producers made little impact on the market.

There was also little reaction to statements from Venezuela's new government that it intended to implement fully production cuts agreed last year.

Analysts expressed scepticism about the possibility of early Opec action to boost prices, given the group's patchy adherence to existing cuts and the continued global economic uncertainty.

## COMMODITIES PRICES

## BASE METALS

LONDON METAL EXCHANGE

Prices from Antiquated Metal Trading

IN ALUMINIUM, ONLY PRICES IN PER TONNE

	Close	Settle	High	Low	Open
Copper	1190-07	1200-07			
Aluminium	1187-05-5	1200-07			
Nickel	1217-07	1217-07			
Lead	1194-06	1200-07			
Open	1212-13				
Total daily turnover	272,575				
IN LEAD (5 per tonne)					
Close	1025-20	1047-48			
Settle	1022-27	1047-48			
High/Low	1022-27	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047-48			
Open	1029-31	1047-48			
Settle	1029-31	1047-48			
High/Low	1029-31	1047			







**FT MANAGED FUNDS SERVICE**

● FT Clinton Unit Trust Prices are available over the telephone. Call the FT Clinton Help Desk on 1-866-271-8334/8338 for more details.

[illegible]

صِيكُنَا مِنْ الْإِجْلِ







## LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

Company	Price
... ..	...
... ..	...

## BANKS, RETAIL

Company	Price
... ..	...
... ..	...

## BREWERIES, PUBS &amp; REST

Company	Price
... ..	...
... ..	...

## BUILDING MATS. &amp; MERCHANTS

Company	Price
... ..	...
... ..	...

## CHEMICALS

Company	Price
... ..	...
... ..	...

## CONSTRUCTION

Company	Price
... ..	...
... ..	...

## CONSTRUCTION - Continued

Company	Price
... ..	...
... ..	...

## DISTRIBUTORS

Company	Price
... ..	...
... ..	...

## DIVERSIFIED INDUSTRIALS

Company	Price
... ..	...
... ..	...

## ELECTRICITY

Company	Price
... ..	...
... ..	...

## ELECTRONIC &amp; ELECTRICAL EQUIP

Company	Price
... ..	...
... ..	...

## ENGINEERING

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## ENGINEERING - Continued

Company	Price
... ..	...
... ..	...

## FOOD PRODUCERS - Continued

Company	Price
... ..	...
... ..	...

## FOOD PRODUCERS - Continued

Company	Price
... ..	...
... ..	...

## FOOD PRODUCERS - Continued

Company	Price
... ..	...
... ..	...

## FOOD PRODUCERS - Continued

Company	Price
... ..	...
... ..	...

## FOOD PRODUCERS - Continued

Company	Price
... ..	...
... ..	...

## FOOD PRODUCERS - Continued

Company	Price
... ..	...
... ..	...

## FOOD PRODUCERS - Continued

Company	Price
... ..	...
... ..	...

## INSURANCE - Continued

Company	Price
... ..	...
... ..	...

## INSURANCE - Continued

Company	Price
... ..	...
... ..	...

## INSURANCE - Continued

Company	Price
... ..	...
... ..	...

## INSURANCE - Continued

Company	Price
... ..	...
... ..	...

## INSURANCE - Continued

Company	Price
... ..	...
... ..	...

## INSURANCE - Continued

Company	Price
... ..	...
... ..	...

## INSURANCE - Continued

Company	Price
... ..	...
... ..	...

## INVESTMENT TRUSTS - Continued

Company	Price
... ..	...
... ..	...

## INVESTMENT TRUSTS - Continued

Company	Price
... ..	...
... ..	...

## INVESTMENT TRUSTS - Continued

Company	Price
... ..	...
... ..	...

## INVESTMENT TRUSTS - Continued

Company	Price
... ..	...
... ..	...

## INVESTMENT TRUSTS - Continued

Company	Price
... ..	...
... ..	...

## INVESTMENT TRUSTS - Continued

Company	Price
... ..	...
... ..	...

## INVESTMENT TRUSTS - Continued

Company	Price
... ..	...
... ..	...

Imagine this page  
updated  
before your eyes.

Interactive Investor is a free website  
devoted to making the most up-to-date financial  
information available to you.  
One visit could make all the difference to  
your portfolio.

www.iii.co.uk









## LONDON STOCK EXCHANGE

## Bidders circle prey as takeover frenzy continues

## MARKET REPORT

By Steve Thompson  
UK Stock Market Editor

The bid frenzy in London continued yesterday, with a mixture of reality and rumour driving stocks sharply higher, especially the news of fundamental restructuring in the French banking industry.

The takeover by Société Générale of Paribas, two of the most powerful French banks, and the potential for even more domestic and pan-European moves, ignited many of the UK banks. Ana-

lysts revisited the potential merger stories involving Barclays and NatWest, among others.

Adding to the increasing excitement in the financial sector was the confirmation of weekend reports that Axa, the French insurance group, had successfully mounted a strategic and tactical coup in getting Guardian Royal Exchange to agree to its last-minute bid.

Analysts and traders said the spate of bids and mergers in London and across Europe and the US had been the trigger for the most recent surge in stock mar-

kets and would continue in the short term.

"You can't take your eyes off the market for a second without more hard bids or bid approaches being announced; that is what is driving the market," said the head of trading at one London agency broker.

He acknowledged the other fundamental strengths affecting London, including the continuing influx of cash, aided by yesterday's mostly cash bid for Guardian Royal Exchange and Intel's increased cash offer for English China Clay.

"That news adds to the

upside pressure on the market; we all know that cash bids mean more instant upside pressure," he said.

And the most powerful driving force for the market, the prospect of more interest rate cuts, was another bullish factor. Yesterday's UK economic news added to the calls for another reduction.

The Chartered Institute of Purchasing and Supply said in its latest survey that the UK manufacturing sector was still weakening, a report which was seen as increasing the chances of a cut.

The US Federal Reserve's open market committee

begins its regular monthly meeting in Washington today to determine US interest rates.

The Bank of England's monetary policy committee meeting starts on Wednesday, while Thursday sees the European Central Bank meeting in Frankfurt.

Most economists expect the Fed to leave US rates on hold; an ECB cut is a possibility, but a quarter-point reduction in UK rates is favoured by the majority of analysts.

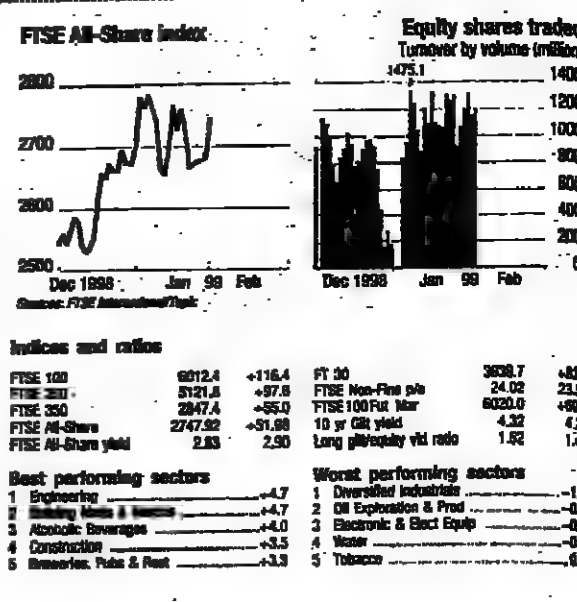
At the close, the FTSE 100 index had been catapulted through the 6,000 level, set-

ting a net 116.4 ahead at 6,012.4, having run up to a session high of 6,045.0.

Dealers insisted, however, that the real excitement was being felt in the second-liners where the FTSE 250 shot up 97.8, or 2 per cent.

"The bids will come thick and fast as this market will drop like a stone," said one. "The FTSE SmallCap was also driven by takeover hopes, and pushed up 23.4 to 2,154.6, although one sceptic continued to warn of the potential for more profit warnings."

Turnover in equities ran up to 1.21bn shares.



## Chemical reaction to bidders

## COMPANIES REPORT

By Peter John, Martin Brice  
and Joel Khazan

Chemicals bubbled higher as more takeover speculation in the sector was thrown into the crucible.

News that Albright & Wilson is examining several tentative bids prompted examination of the possible targets within the sector and the likely predators.

The shares rose 5 to 104 1/2p with take-out targets ranging from 130p (Credit Lyonnais Securities) to 180p (Sutherland). Possible buyers include Rhodia of France, Solvita and FMC of the US.

Dealers have also been looking increasingly closely at the portfolio managed by Phillips & Drew Fund Management. Tony Dye, P&D's chief investment officer, has been warning of a stock market correction since 1986 and has been a big buyer of "value" stocks.

Recently many of those stocks have performed so badly that they have become takeover targets. For example, P&D has stakes of above 20 per cent in Waco, Norcor, Sears and Mirror Group. It also has a 24 per cent stake in Brent International and 22 per cent of Rickson Inter-

national. Brent was flat at 114 1/2p and Hickson slightly easier at 42 1/2p. Laporte, another seen as vulnerable, jumped 44 to 567 1/2p.

Building materials group Caradon saw brisk trade of 4.3m as the stock put in a strong performance, prompting speculation that the company is close to announcing its long-awaited disposals programme. The shares rose 8 1/2 to 96p.

Elsewhere in the sector, receding fears of recession prompted buying of building materials stocks. BPE gained 20 1/2 to 230p while Hanson, boosted by an "oversold" comment from Panmure

Gordon, rose 21 to 412 1/2p.

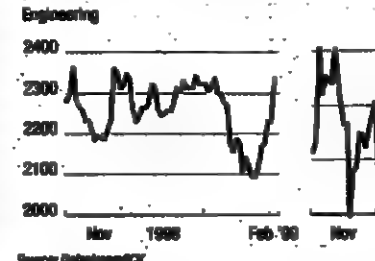
MidCap housebuilders were also a focus, with Berkeley rising 61 to 424 1/2p and Beazer gaining 13 to 156 1/2p.

Housebuilding stocks have priced in recession for much of the past year, but growing hopes that the UK economy will merely slow, rather than suffer recession, have seen some building-related stocks outperform recently.

News that France's largest bank, Société Générale, intends to take over rival Paribas revived the enthusiasm for consolidation within the UK financials.

However, the early morn-

## Best and worst performing FTSE sectors



ing enthusiasm that the French move would strengthen the desire of UK banks to enter the European "super league" was seen as something of a knee-jerk reaction and share prices eased in the afternoon.

Robert Law of Lehman Brothers said: "I don't think it alters very much. Results, bad debts and base rate movements are still the main drivers in the sector."

Barclays led the way forward with a 4 per cent gain in early trading. The shares were helped by newspaper reports that the bank is planning cost cuts in its retail banking operations of about £300m that are likely to lead to hundreds of job losses. Dresdner Kleinwort Benson reiterated its "add" stance on the stock.

The shares closed 31 up at 213.91 while National Westminster gained 39 to 211.55.

Royal & Sun Alliance rose 21 1/2 to 469 1/2p on relief that the insurer was not to acquire Guardian Royal Exchange. Commerzbank underlined the general mood. The broker upgraded the stock from "hold" to "buy", having previously

said the rumoured 350p offer was too high and that GRE offered no strategic benefits to Royal.

Commerzbank also downgraded Axa's San Life Provisio from "buy" to "hold" after it was announced that the insurer had sealed an agreed £3.4bn acquisition of GRE. San Life fell 51 to 630p.

Shares in Regent Inns rose 21 to 191p after it confirmed weekend press reports that it has started talks with SFI Group that could lead to a merger.

A joint statement from the two groups said their chief executives had "exchanged preliminary views on the merits of combining the two companies" and that formal merger talks would begin in the near future. SFI was also in demand and the shares appreciated 13 to 191 1/2p.

## Bass surges

A shortage of stock in hotels and drinks group Bass, which holds its annual meeting on Thursday, continued to drive the shares. They closed 50 up at 870p.

The market appeared to give the thumbs-up to food retailer Tesco after it said it was launching subscription-free internet access for 10m Clubcard households across the country. The shares hardened 4 1/2 to 192p in a busy session that brought turnover of 26m.

Dealers appeared to ignore fears in some quarters that

the new service from Tesco may hurt business at Dixons, which also has a free internet service. Shares in the electrical goods retailer soared 26 1/2 to £10.25p. The group said it was to add a finance and investment channel to Freeview, its free internet service, in the summer.

It was a mixed day for the other leading food retailers. A two-way pull in Asda Group brought volume of 18m as the shares edged 1/2 ahead to 164 1/2p, but sellers gained the upper hand in Sainsbury, the shares closing 3 1/2 higher at 89 1/2p.

Software group ICL was up 5 at 195p following positive comments from Dresdner Kleinwort Benson. Mark Loveland at the broker told clients the price of the shares was "fundamentally too low". He set a price target of 350p for the end of this year and 420p for next and said: "Lynn has considerable upside."

Shares in British Land jumped 19 to 460p in trade of 3.5m as several market specialists raised the prospect of the group spinning off its Broadgate development in the City of London.

Talk of such a move came after the company took a group of analysts on a tour of the Broadgate properties yesterday, although the company said nothing about such a move. Analysts said the tone had been "upbeat" and one said: "The company was positive about the City office market as well as the retail market. We got quite a lot of new information."

Other leading stocks in the sector were also in demand. Hammerson put on 17 to 374 1/2p, and MEPC improved 21 1/2 to 415p. Land Securities appreciated 35 to 782p.

By Young Holdings, the sports-lifestyle products distributor, was off 1 1/2 at 91p after the purchase of the Animal brand of accessories for no more than £1.8m.

## FUTURES AND OPTIONS

**FTSE 100 INDEX FUTURES (LFFS) £10 per full index point**

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	5985.0	6000.0	+115.0	6005.0	5975.0	25734	164263
Apr	6055.0	6070.0	+115.0	6075.0	6045.0	30	1580
May	6115.0	6130.0	+115.0	6135.0	6105.0	0	0

**FTSE 250 INDEX FUTURES (LFFS) £10 per full index point**

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	6945.0	7110.0	+110.0	7115.0	6940.0	200	6004
Apr	7115.0	7130.0	+110.0	7135.0	7105.0	0	300

**FTSE 100 INDEX OPTIONS (LFFS) £1012.50 per full index point**

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	5985.0	6000.0	+115.0	6005.0	5975.0	25734	164263
Apr	6055.0	6070.0	+115.0	6075.0	6045.0	30	1580
May	6115.0	6130.0	+115.0	6135.0	6105.0	0	0

**FTSE 250 INDEX OPTIONS (LFFS) £1012.50 per full index point**

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	6945.0	7110.0	+110.0	7115.0	6940.0	200	6004
Apr	7115.0	7130.0	+110.0	7135.0	7105.0	0	300

**FTSE 100 INDEX OPTIONS (LFFS) £1012.50 per full index point**

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	5985.0	6000.0	+115.0	6005.0	5975.0	25734	164263
Apr	6055.0	6070.0	+115.0	6075.0	6045.0	30	1580
May	6115.0	6130.0	+115.0	6135.0	6105.0	0	0

**FTSE 250 INDEX OPTIONS (LFFS) £1012.50 per full index point**

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	6945.0	7110.0	+110.0	7115.0	6940.0	200	6004
Apr	7115.0	7130.0	+110.0	7135.0	7105.0	0	300

**FTSE GOLD MINES INDEX**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
Gold Mines Index (20)	632.15	2.0	632.15	1120.00	1.85	632.15	1201.87	791.88

**FTSE Actuaries Share Indices**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
Actuaries Index (10)	1025.75	2.7	1025.75	1210.00	4.51	1025.75	1485.04	795.83

**TRADING VOLUME**

	Vol	Change	Vol	Change
FTSE 100	1,700	+50%	1,700	+50%
FTSE 250	1,300	+40%	1,300	+40%
FTSE 350	1,200	+30%	1,200	+30%

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
10 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
11 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
12 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
13 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
14 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
15 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
16 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

**FTSE Actuaries Industry Sectors**

	Jan	% chg	Jan	Year	Open	Sett	Total	52 week
17 Insurance (10)	3701.65	+2.1	3701.65	4435.12	8.83	3701.65	4775.05	2705.01

## European Community Newspaper.

Subscribe for a year and receive 4 weeks extra free.

More senior business people in Europe read the FT than ever before. They value the depth and breadth of its coverage of European news and depend on the FT's unrivalled tracking of the effects of the euro. Benefit from additional savings, subscribe now, and save on the newsstand price. Tel: +44 171 873 4200 Fax: +44 171 873 3428 or email: FTE.subs@FT.com

FINANCIAL TIMES

No FT, no comment.

سكوا من الامل







NEW YORK STOCK EXCHANGE PRICES

NYSE		NASDAQ		NYSE		NASDAQ	
Symbol	Price	Symbol	Price	Symbol	Price	Symbol	Price
IBM	125.00	MSFT	34.00	IBM	125.00	MSFT	34.00
GE	30.00	GOOG	200.00	GE	30.00	GOOG	200.00
...	...	...	...	...	...	...	...

**IN.SECTS (Pan European Sector Indices from EuroBench)**

Sector	Index	Change
...	...	...

سكاي من الامل







# STOCK MARKETS

## Takeovers help bulls buck Bronco legend

### WORLD OVERVIEW

Takeover activity, one of the most important factors behind the global stock market recovery of late 1996, was once more responsible for improving investor sentiment yesterday, writes Philip Coggan.

The planned link-up between Société Générale and Paribas of France, and the agreed takeover by Axa of British insurer Guardian Royal Exchange, caused a

flurry of excitement in financial stocks.

European bourses got a particular lift from the news, with investors turning their mind to the prospects of further consolidation within the banking sector. The Dax in Frankfurt and the CAC 40 in Paris each gained more than 1 per cent.

Wall Street had a rather more mixed opening with a stronger-than-expected report from purchasing managers for January being

badly received by the bond market.

The Federal Reserve open market committee begins a two-day meeting today. But few analysts expect a rate change, especially after last Friday's strong fourth-quarter gross domestic product numbers.

Later in the week, the European Central Bank and Bank of England will also announce rate decisions, with the best chance for a cut being in the UK.

Hopes of interest rate reductions, and the never-ending takeover round, managed to keep most stock markets moving ahead in January, despite worries about slowing economic growth and corporate earnings.

According to figures from FTSE International, Brazil achieved a rare double in January, producing the best performance of a stock market in local currency terms - up 20 per cent - but, thanks to the devaluation of the

Real, the worst performance in dollar terms - down nearly 30 per cent.

Greece, which some investors hope is on course to join the euro, was the best performer in dollar terms, gaining 15 per cent.

The so-called January indicator - the theory that "as January goes, so goes the year" - should have been an encouraging sign for the US equity market, given that Wall Street showed a net gain in the first month of

1999. In the US, the indicator has made an accurate prediction 90 per cent of the time since 1960.

But the superstitious could also point to the Superbowl indicator, a discouraging omen for the bulls. Legend has it that, if an AFC team wins, the market will fall; the Denver Broncos of the AFC triumphed on Sunday. However, Denver also won the Superbowl in 1996 and the market marched higher regardless.

### EMERGING MARKET FOCUS

## Symbolic index faced by reality

These are not easy times for the Palestine Securities Exchange. As it prepares to celebrate its second birthday, traders, and indeed Suleiman Abbadi, recently appointed its new general manager, may find little reason to cheer.

The PSE was established as much as a symbol of Palestinian sovereignty as a way for establishing a viable financial system.

However, Palestinian traders and the business community in neighbouring Jordan have been disappointed with its performance.

Average monthly turnover since September has hovered around \$3m compared with \$18.7m in March. The Al-Quds index has never looked like returning to last June's peak of 186. By the close of trading on Sunday - the exchange is open twice a week - the index was at 153.24 and turnover was just \$389,044.

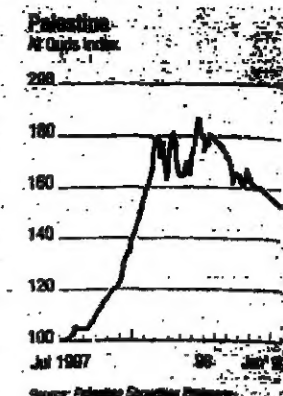
Investors have stayed away from the PSE for a number of reasons. The Israeli-Palestinian peace process has all but collapsed. With no free movement of goods, services and people from the Palestinian-controlled areas of the West Bank and Gaza to the outside world, investors believed the risks were simply too high.

Yet given such an environment, investors had hoped Yasir Arafat's Palestinian Authority would have tried to make the PSE more attractive. They have been disappointed.

Since the exchange was set up in February 1997, traders have been waiting for the Palestinian finance ministry to set up a regulatory body for the PSE.

"We kept asking and we kept waiting for the ministry to do something," said one trader. "Nothing happened."

The trader said a regulatory body would make the PSE more transparent and attractive to potential investors.



Source: Palestine Securities Exchange

## Wall St wary ahead of Fed rate meeting

### AMERICAS

Wall Street began February with a mixed early session as investors got behind blue-chip and high-tech stocks, but turned away from the broader market, writes John Labate in New York.

Trading was mainly cautious ahead of the first meeting of the year for the Federal Reserve's open market committee to decide interest rate policy. While few on Wall Street expect the Fed to make a move, it comes near the end of the quarterly earnings season when investors are looking for new direction.

By early afternoon the Dow Jones Industrial Average of blue-chip shares had risen 35.53 to 9,394.35 while the broader Standard & Poor's 500 index 500 index was off 2.86 at 1,276.73. Higher internet and computer shares helped raise the Nasdaq composite 6.53 to 2,513.42.

Merger announcements continued. Morton International surged 89¢ to \$35 after news that specialty chemicals company Rohm and Haas would acquire it for \$4.9bn.

In telecoms, Bell Atlantic fell 1¼ to \$58½ despite a raised price target by Lehman Brothers. In the Dow, Hewlett-Packard gained 8½ to \$91½. Shares of AT&T surged \$2¼ to \$93½ after British Telecom said it was considering a venture with the US leader.

Airline stocks continued to surge after last week's decision by a handful of carriers to raise fares. Continental Airlines rose 6.8 per cent to \$2½, after BT Alex Brown raised its rating to

"strong buy" from "market perform". AMR, parent of American Airlines, climbed 1¼ to \$60¼.

Northrop Grumman surged \$5 or 8.8 per cent to \$62 after PaineWebber raised its rating of the defence contractor to "buy" from "neutral".

Online brokerage stocks surged in active trading. E\*Trade climbed 16 per cent to \$94¼ and Ameritrade gained more than 23 per cent to \$99½. But Charles Schwab gained just ¼ to \$70½ after the company's online division raised margin requirements for certain stocks.

Small company shares were mixed, with the Russell 2000 index up less than one point at 427.31.

TORONTO continued to gain ground as further advances for banks and golds kept the benchmark indices on a rising trend. The 300 composite index was up 33.74 at 8,782.30 at noon.

Royal Bank of Canada rose 80 cents to C\$78.90 and Bank of Montreal gained 75 cents at C\$67.50. Bank of Nova Scotia added 45 cents at C\$92.96. In golds, sector leader Barrick put on 30 cents at C\$29.15.

Cable group Rogers Communications shot up C\$1.85 to C\$23.10 and internet shares remained a firm feature in spite of recent high-profile warnings about overvaluations. BldCom International gained 50 cents to C\$7.60.

Alcan Aluminium lost 35 cents at C\$38.50 and Seagram, the drinks and entertainment giant, came off 90 cents at C\$71.10.

Telecoms, a notably firm market lately, ran into profit-taking with Northern Telecom sliding C\$1.70 to C\$84.

## São Paulo advances as Real steadies after fall

SAO PAULO opened higher as the Real stabilised at R\$1.97 to the dollar, buoyed by a rise in oil stocks and assurances by Hugo Chávez, Venezuela's new president, that he would fight inflation and falling oil prices.

MEXICO CITY was little changed as the peso resumed its rise amid renewed optimism about Brazil. The IPC index gained 14.62 to 3,972.55 in the morning session.

with the IBC index up 143.04 to 4,328.22 at mid-session, buoyed by a rise in oil stocks and assurances by Hugo Chávez, Venezuela's new president, that he would fight inflation and falling oil prices.

MEXICO CITY was little changed as the peso resumed its rise amid renewed optimism about Brazil. The IPC index gained 14.62 to 3,972.55 in the morning session.

## Alliance plan activates banks

### EUROPE

Bank shares had a hyperactive session following the news that Société Générale and Paribas, two French financial heavyweights, planned to forge themselves into the world's fourth largest bank.

German, Spanish, Italian and Dutch banks all moved higher as a heightened round of consolidation talk among brokers and investors gripped the sector.

In Paris, the trading pattern was more mixed. Paribas, for example, ended 68.15 or 9.7 per cent higher at 692.15 after hitting a session peak of 697. SocGen, which is taking over Paribas via a

The FTSE Europe 300 index rose 17.48 or 1.44 per cent to 1,222.33. See Euro Prices page.

share deal, ended off 65 at 615.3. BNP also lost ground, ending 1.96 at 478.

In Frankfurt, Deutsche Bank shot up 61.49 before settling 85 cents higher at 650.55. Dresdner added 70 cents at 636.20 and Commerzbank 50 cents at 626.80. Dutch leader ABN Amro rose 45 cents to 117.55.

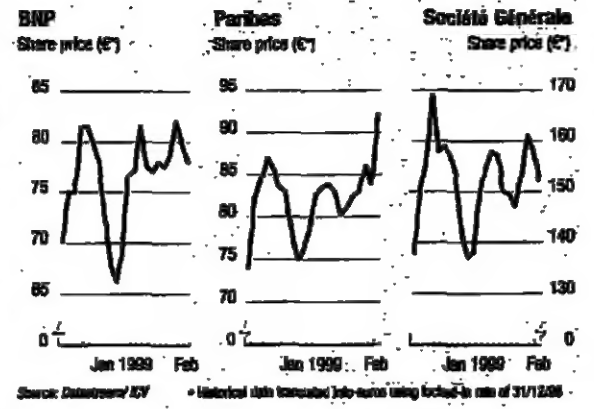
Axa-UAP's acquisition of UK composite insurer Guardian Royal Exchange helped keep the financial pot bubbling, as did Goldman Sachs' reiterated positive stance on German banks, suggesting the sector had an upside potential of more than 30 per cent.

Switzerland's UBS put on SF10.50 to SF469.50 as it replaced Deutsche Bank on Lehman Brothers' recommended list. CS Group was SF11.55 higher at SF227.35.

Italy's BCI put on 29.5 cents to 65.86 on comments by the chairman of BCI shareholder Deutsche Bank that the Milan-based bank would be a good partner.

In Madrid, the French alliance helped Argentina close 11.17 or 5.2 per cent higher to 23.73. Popular gained 1.66 to 65.65.

The enthusiasm extended neither to Santander, down 36 cents to 116.30, nor to BCH, 18 cents lower at 69.98, since their own merger plans



Source: Bloomberg BV

put them out of the M&A picture. BBV, which announced improved earnings, lost 8 cents to 613.10.

FRANKFURT improved 59.31 to 5,539.60 on the Xetra Dax index after touching a session high of 5,592.74.

Insurance shares were strong in the wake of the latest deal in the European sector. Munich Re added 69 at 6238.46. Allianz 68.46 at 6333.46. BMW stood out in a generally dull motor sector, gaining 65.80 at 6628.80.

AMSTERDAM gained 1.92 to 540.01 on the AEX index, helped by strong gains for ING and a bounce for KLM ahead of today's third-quarter results.

The airline rose 36 cents to 624.30 while ING led a broad rally for financials. It gained 62.80 or 5.5 per cent to 654.10 while Aegon put on 1.90 at 698.60.

ZURICH was enlivened by the activity in its banking sector and the SMI index finished 90.0 higher at 7,291.2.

Among other movers, Novartis rose SF41 to SF197 and Nestlé was SF15 higher at SF2,640. Both shares were seen to have lagged behind the market after disappointing revenue figures last month.

MILAN rose 287 to 23,998 on the Mibtel index although volumes were low. Banks held centre stage but there was interest in other sectors. ENI put on 22.1 cents to 65.44, supported by slightly firmer crude oil prices.

Fiat had a volatile day as consolidation elsewhere in the European motor industry continued to raise expect-

after the German Stinnes group said it would offer to buy all the outstanding BTL stock for SKr45 per share.

Volvo picked up SKr27 to SKr219.50 on the view that the share looked cheap after last week's announcement that it was selling its car division to Ford for SKr50bn.

HELSINKI was dragged lower as Morgan Stanley cut its rating on telecoms giant Nokia, down 67 to 6121.50. The Hex index fell 106.74 or 1.7 per cent to 6,069.03.

PARIS rose to a six-month high as the CAC-40 gained 52.12 to 4,303.92, mainly lifted by financial stocks.

Axa-UAP ended 61.30 lower at 6136.60 after it said Guardian Royal Exchange had accepted its \$2.6bn cash and share offer. Some analysts said this might be a deal too far for the acquisitive insurer after a string of M&A announcements last year.

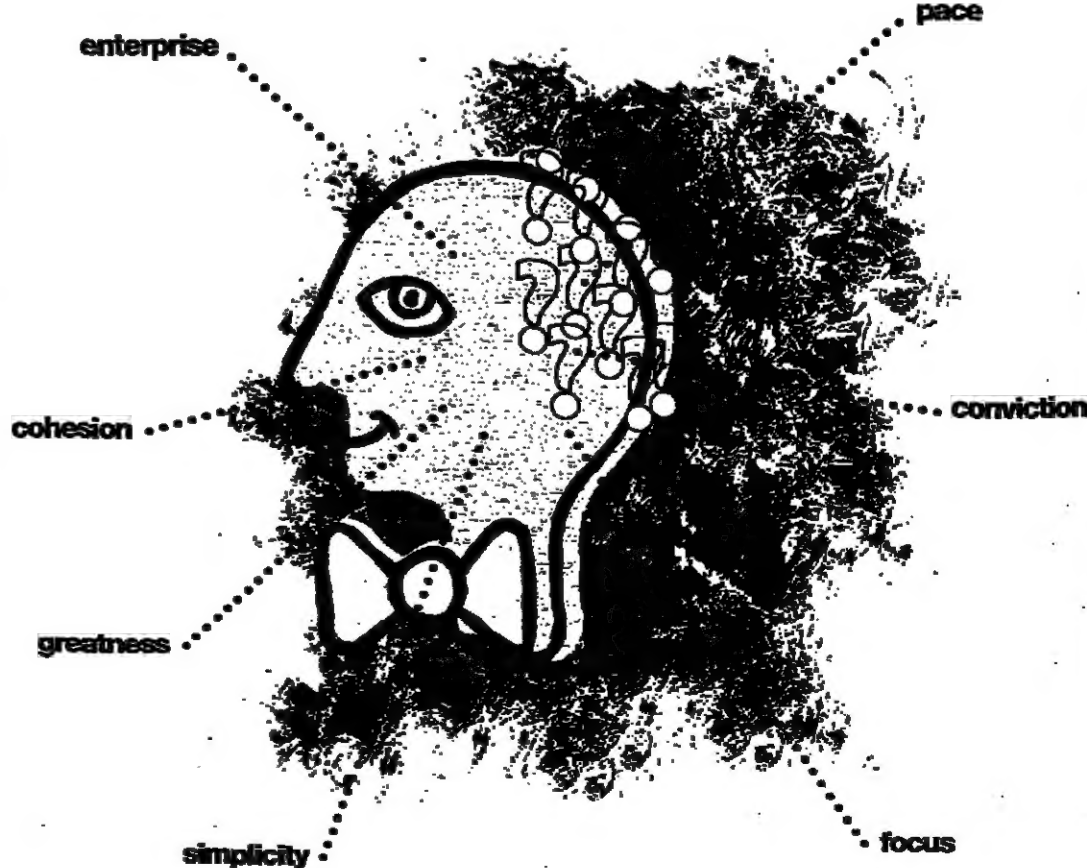
Accor rose 610 or 5.6 per cent to 6190 after release of hotel occupancy figures for 1996, up to 85.4 per cent from 65.9 per cent a year ago.

France Telecom rose 63.90 to 686.80, accounting for nearly half the CAC-40's rise. Analysts attributed gains to continuous buying by institutions trying to match the utility's heavy weighting in European indices.

Ericsson jumped SKr12 to SKr223 after last week's 1996 results that proved largely in line with expectations, and news of its new mobile phone platform. Analysts said the stock was rising on the view that it looked cheap compared with Nokia.

Transport group BTL surged SKr11.70 to SKr44.70

## Great minds think alike!

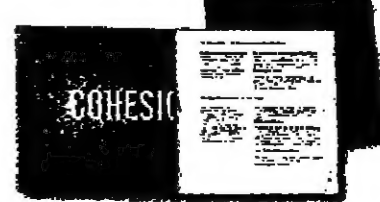


### "Seven Principles for Sustained Growth"

A new publication for business leaders by business leaders

BRIDGEWATER MANAGEMENT CONSULTANTS would like to announce the launch of "Seven Principles for Sustained Growth". With an emphasis on simple and practical recommendations, this book is enriched with revealing commentary from over twenty chief executives and chairmen of the UK's largest corporations. Proving again that Great minds think alike!

A limited supply of copies are available directly from Bridgewater at 33 Notting Hill Gate, London, W11 3JQ.



BRIDGEWATER

## Results optimism lifts Sydney

### ASIA PACIFIC

Economic and corporate results optimism got firmly behind SYDNEY, lifting the All Ordinaries index to a record high as bank and telecoms blue chips made amends for further weakness among resource stocks.

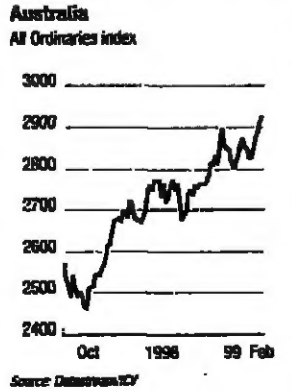
The benchmark rose 29.9 or 1 per cent to 2,937.7 in good two-way volume. Wall Street's gains on Friday combined with last week's positive Australian inflation data to boost sentiment ahead of the company results season.

Banks were in the thick of the action after strong results from sector leader NAB last week. Westpac jumped 27 cents to A\$11.27. In telecoms, Telstra rose 51 cents to a record close of A\$9.15. In media, News Corp gained 35 cents to A\$11.57.

In resources, BHP came off 6.4 cents at A\$11.82 and Rio Tinto 9.4 cents at A\$18.30.

TOKYO retreated from early highs to end slightly lower as investors took profits on cross-shareholdings ahead of the fiscal year-end on March 31, Reuters reports.

Some traders said the market was also dented by



Source: Datastream BV

firm tone, due mainly to buying in high-tech issues, encouraged by a rally in New York stocks on Friday and stability in the currency market. But investors took profits on seeing the limited upside above 14,500 on the Nikkei 225.

Furukawa Electric picked up Y32 to Y382, supported by rising demand for fibre optics. High-tech issues, bought initially, ended mixed. Sony pared early gains to end Y70 up at Y8,520. Toshiba ended Y5 higher at Y768 while Hitachi lost Y30 at Y815.

Securities shares were generally lower on profit-taking. Nomura Securities fell 839 to Y973. However, Kokusai Securities rebounded from early lows to end Y27 higher at Y1,029 on reports that Nomura and its group companies planned to sell their stake.

TAIPEI fell to a 35-month low in weak volume as investors wound down their positions ahead of the nine-day lunar new year holiday which begins next week.

The electronics sector lost 3.3 per cent, although the day's volume was the lowest since January 1997. Brokers

only modestly firmer, weighed down by profit-taking and a fall in the mining sector.

The overall index finished 25.2 higher at 5,824.3 while rate-sensitive financials picked up 68.5 to 9,051.6 and industrials rose 45.2 to 6,788.2. Golds closed 6.8 firmer at 941.3.

### Profit-taking curbs Jo'burg

#### SOUTH AFRICA

Johannesburg made a spirited start, helped by better-than-expected money supply and credit extension figures for December that raised hopes for another cut in interest rates.

However, prices later lost some of their edge to close

only modestly firmer, weighed down by profit-taking and a fall in the mining sector.

The overall index finished 25.2 higher at 5,824.3 while rate-sensitive financials picked up 68.5 to 9,051.6 and industrials rose 45.2 to 6,788.2. Golds closed 6.8 firmer at 941.3.